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## Press release

Embargoed until 00.01 Thursday 8 April 2004

### Scottish Councils improve financial controls, but need to do more

The Accounts Commission is commending Scottish councils today for improving their financial controls and maintaining sound financial stewardship of public funds. For the first time since local government reorganisation in 1996 there are no audit qualifications on the accounts.

However the Commission expresses serious concern that only one-third of councils have fully established audit committee arrangements. The report also points to the need for better financial reporting to councillors and highlights increasing levels of reserves and balances, suggesting some councils should review their policy on this.

Accounts Commission Chairman Alastair MacNish says:

“It is pleasing that councils’ financial controls improved last year and that none of their accounts were qualified. However we are concerned about a number of issues.

“While it is encouraging that all councils have now set up audit committee arrangements, only a third of these are fully established and working well in the way they should.

“This is disappointing as audit committees have proved to be a powerful tool of audit and scrutiny. They are a crucial part of modern governance in public bodies as they reinforce democratic accountability. Clearly more needs to be done to ensure this happens in all councils. We will be following this up as part of our ongoing work and during the course of the new Best Value audits”.

The Commission plans to work with partner organisations to develop specific guidance for councils to extend the benefits of having audit committees, drawing on the good experience of other parts of the public sector.

The role of councillors in monitoring performance and the levels of reserves and balances are also highlighted in the report.

Alastair MacNish says:

“ It is a key part of good governance that elected councillors receive timely reports containing the budgetary and other financial information they need to monitor service performance and the overall financial position of the council. However this is not happening in all cases. Councillors should be insisting on high quality and timely financial reporting to them.”

“The overall level of reserves held by councils appears high at about 9% of annual expenditure. The wide variation in amounts held suggests that some councils need to review their policy in this area.

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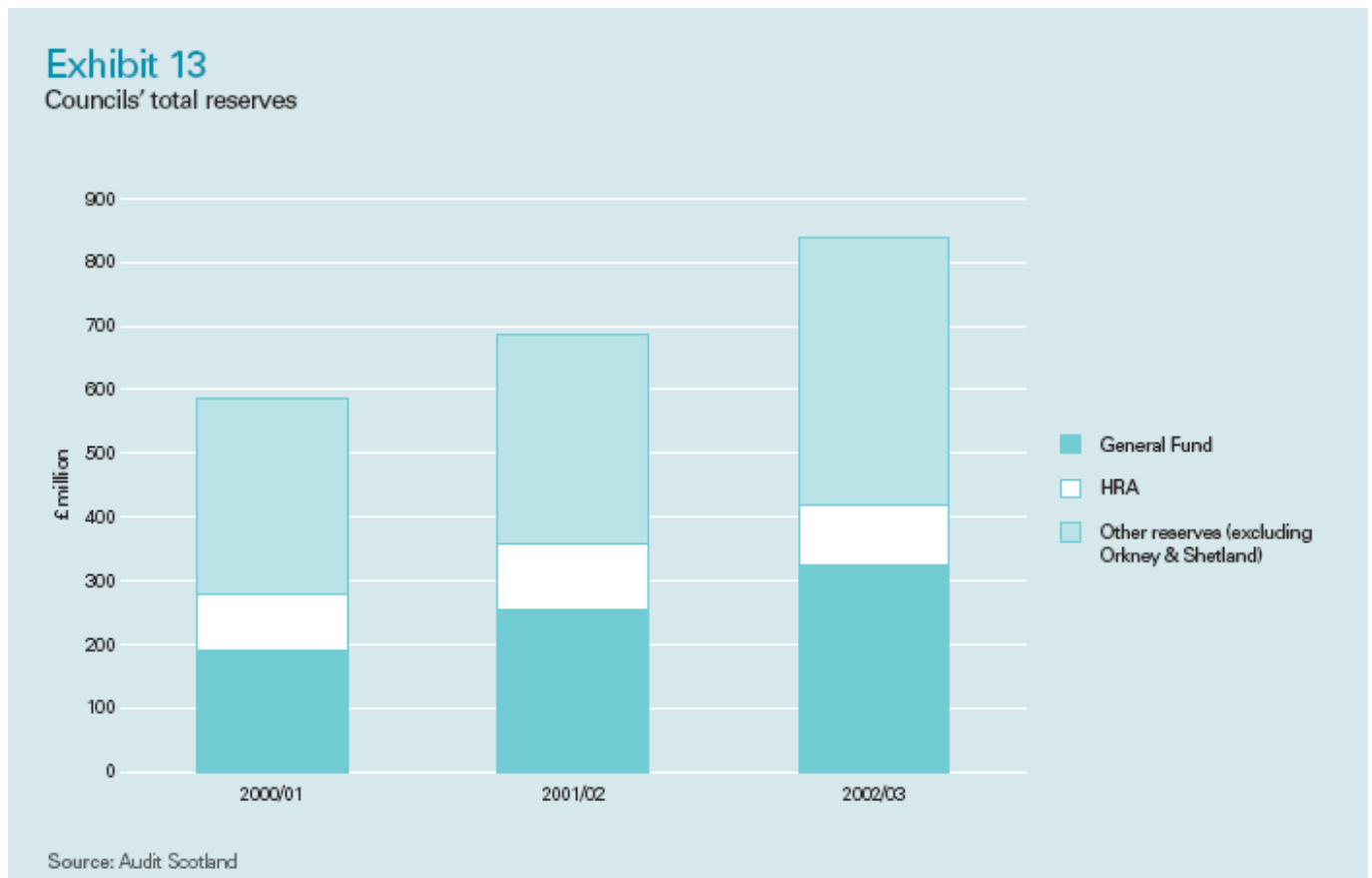
**or Mandy Gallacher, tel: 0131 624 9974**

#### Notes to editors

1. Local authorities are permitted to hold reserves and balances. These include earmarked amounts set aside for specific policy purposes and money for purposes such as general contingencies and cash flow management.

Audit Scotland provides services to the Auditor General for Scotland and the Accounts Commission

2.



(HRA = Housing Revenue Account)

The above table is extracted from page 20 of the report.

3. This report covers all the significant issues arising from the 2002/03 audits of the 32 Scottish councils and 34 related local authority organisations, such as fire and police joint boards. The overall annual revenue spend of these bodies is around £9 billion.

4. The Accounts Commission is responsible for securing the audit of 32 Scottish councils and 34 joint boards, including police and fire services. The Commission investigates whether spending bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Accounts Commission is independent and is not subject to the control of the Scottish Executive or the Scottish Parliament.

5. 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.