

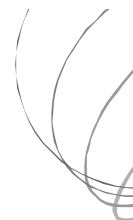
# Communities Scotland

## Report on the 2005-06 Audit

18 January 2007



**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**



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# Executive Summary

## Introduction

In 2005-06 we audited the financial statements of Communities Scotland (CS) and looked at aspects of performance management and governance. This report sets out our key findings.

## Financial Statements

We have given an unqualified opinion on the financial statements of the Agency for 2005-06. The financial statements were reviewed by the Audit Committee on 28 June 2006 and subsequently signed by the Chief Executive on 3 August 2006. CS operated within the budget allocated by Scottish Ministers.

At the planning stage we produced a Performance and Risk Framework document which provided us with additional information on which to focus our audit. Although we identified twenty three main audit risks, from our audit work we can conclude that these risks are being satisfactorily managed by CS (Appendix A). The main issues arising from our audit are detailed in the action plan at Appendix B.

## Governance

Communities Scotland's corporate governance and control arrangements operated satisfactorily in the period under review as reflected in the Statement on Internal Control. We have also found the work of the internal audit service to be satisfactory and continue to place formal reliance on its work.

## Performance Management

During 2005-06 we completed a baseline analysis of CS's management arrangements for achieving Best Value. We found that although CS's procedures were under development, progress towards achieving Best Value was being made.

We carried out an overview of CS's management arrangements in relation to the requirements of the Scottish Executive's Efficient Government Initiative. CS has committed itself to delivering more than £14.45m in savings of which £14m will be from reducing unit costs in the Development Programme. Systems to monitor the savings, which occur mainly in 2006-07 and 2007-08, are being developed.

As part of our wider audit focus we carried out two short studies on 'Partnership Working: a review of Community Regeneration Fund monitoring', and 'Performance Measurement: a review of local housing strategy assessment and monitoring'. Both monitoring systems appear to be operating effectively.

I would like to record my thanks to management and staff for their co-operation and assistance.

Peter Tait CPFA, Assistant Director, 18 January 2007



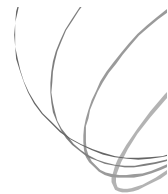
# Introduction

## Scope of the Audit

1. This report summarises the findings from our 2005-06 audit of Communities Scotland.
2. This report to management sets out our findings from the review carried out. The contents have been agreed with relevant officers to confirm factual accuracy.
3. The weaknesses outlined are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all the weaknesses which may exist. Although we include a number of specific recommendations in this report to strengthen internal control, it is the responsibility of management to determine the extent of the internal control system appropriate to Communities Scotland. We would stress, however, that an effective internal control system is an essential part of the efficient management of any organisation.

## Outcome on Risks Identified in the Audit Risk Analysis and Plan

4. A key feature of our audit approach is the need to form a comprehensive understanding of the client's business in order to appreciate the risks arising from that business and affecting the achievement of its objectives. Our understanding of the business is informed by a number of considerations, including application of various 'governance and accountability' tools and the development of Priorities and Risk Frameworks (PRFs).
5. The Communities Scotland PRF was used to identify key areas of risk and priority as a basis for targeting audit activity. It is primarily, therefore, a tool for planning our risk based audit. The key risks and priorities identified through the PRF process were used as an agenda for discussion with senior Communities Scotland officers to help Audit Scotland assess the adequacy of the management arrangements in place to address the priorities and risks identified.
6. The scope of the audit was set out in our Audit Risk Analysis and Plan (ARAP), which was submitted to Communities Scotland on 14 June 2006. This plan described the work we planned to carry out on financial statements, governance and performance. The priority areas identified in the 2005-06 Communities Scotland ARAP were:



- Strategic Planning
- Governance
- Financial Management
- Performance Management
- Partnership Working
- Best Value/ Efficient Government
- People Management
- Information Management

7. Twenty three risks were identified at the planning stage. The outcome against planned activity is summarised at Appendix A. We can conclude from the results of our work on these risks that they are being satisfactorily managed by Communities Scotland. A number of these areas are described in greater detail in the body of the report.

## Prior Period Follow Up

8. A number of issues were identified in our Report on the Audit for the year to 31 March 2005. We are satisfied that action has now been satisfactorily taken. We note that progress has been made in introducing effective controls over the Warm Deal/Central Heating programme, payments of grants in advance of need for asset purchase by area offices and the composition and training of the Audit Committee. Our reviews of these areas are discussed in paragraphs 26-30.

## Management Action

9. Audit recommendations, together with management comments, on those areas where further improvements could be achieved are included in the action plan at Appendix B of this report.
10. This is the final year of a five year audit appointment. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers of the Agency during the course of our appointment. This report will be submitted to the Auditor General for Scotland and will be published on our website at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



# Financial Statements

## Our Responsibilities

11. We audit the financial statements and give an opinion on whether:

- the financial statements give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the directions made thereunder by the Scottish Ministers, of the state of affairs of Communities Scotland as at 31 March 2006 and the net cost of operations, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.
- in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

12. We also review the Statement on Internal Control by:

- considering compliance with Scottish Executive guidance;
- considering the adequacy of the process put in place by the Accountable Officer to obtain assurances on systems of internal control; and
- assessing whether disclosures in the Statement are consistent with the information emerging from our normal audit work.

## Overall Conclusion

13. We have given an unqualified opinion on the financial statements of Communities Scotland for 2005-06. We are able to conclude that the financial statements of Communities Scotland give a true and fair view of the financial position for the year ended 31 March 2006 and that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and relevant guidance.





14. Following discussion with the Finance Department, a date of 15 May 2006 was agreed for the provision of the accounts for audit. Accordingly audit work was scheduled to achieve a certification date that would permit the laying of the accounts before the Scottish Parliament by the end of August. Accounts were duly submitted on the agreed date and the completion timetable achieved.

## Financial Performance

15. Communities Scotland's income and expenditure account for the year records income of £44.22m of which £25.39m was for community ownership house sales and £14.94m was for repayment of grants. The increase was largely down to excess Right to Buy receipts from Glasgow, Borders and Dumfries and Galloway. Gross expenditure of £776.26m was mainly grants of £739.064m which is an increase from £623m in 2004/05. Administration costs were broadly the same as last year. £11.339m investments were transferred from Scottish Homes during the year.
16. Communities Scotland's resource use of £737.40m was less than 0.2% under the final budget allocation.

## Statement on Internal Control

17. Accountable Officers are required to make an annual statement - the "Statement on Internal Control" (SIC) - alongside the accounts of the body and in accordance with this guidance. The SIC should be the end result of a risk management process that is embedded in the planning, operational, monitoring and review activities of the body, these activities being the critical elements of the statement.
18. A draft SIC was presented to the Audit Committee on 28 June 2006 and signed by the Chief Executive on 3 July 2006.
19. We are satisfied that the Statement complies with Scottish Executive guidance, the process put in place by the Accountable Officer to obtain assurances on systems of internal control is adequate and the contents of the Statement are consistent with the information emerging from our normal audit work.

## ISA 260: Communication of Audit Matters to Those Charged with Governance

20. My responsibilities in relation to the communication of audit matters to those charged with governance are covered in International Standard on Auditing 260 and outcomes against the requirements of the Standard were reported in a letter to the Accountable Officer and presented to the Audit Committee on 28 June 2006.



21. The key messages were:

- accounts have been prepared on a basis which is in accordance with the Government Financial Reporting Manual (FReM).
- there are no unadjusted misstatements in the accounts.
- the audit has not identified any material weaknesses in accounting and internal control arrangements.
- the SIC appropriately reflects circumstances.
- there are no significant judgements included in the accounts on which we wish to comment.
- there are no matters specifically required by other auditing standards to be communicated

## Issues Arising

22. In line with normal practice, issues were discussed and resolved with staff during the course of the audit. We would like to draw attention to the following issues arising from our audit of the financial statements:

### *Review of action taken on internal audit recommendations*

- for the 2006-07 accounts, a review of the implementation of internal audit recommendations should be completed by Directors before they finalise the 2006-07 accounts assurance statements to the Accountable Officer.

### **Action point 1**

#### *Guidance clarification:*

- revision of procedures to ensure that only current guidance is used.
- Identification of all extant notes on a single integrated basis

### **Action point 2**

#### *Reconciliation of grants*

- Revision of procedures to ensure that reconciliation of grants between the TRS payment system and the SEAS financial ledger takes place seamlessly when responsibilities for individual grants are changed.

### **Action Point 3**



# Governance

## Introduction

23. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of an organisation. This section sets out the main findings arising from our review of Communities Scotland's corporate governance as it relates to:
- fraud prevention and detection arrangements.
  - systems of internal control.
  - review of internal audit.

## Overall Conclusion

24. During our audit we reviewed the governance systems operating at Communities Scotland. In general, we are content that they are soundly based.

## Fraud Prevention and Detection Arrangements

25. Communities Scotland's arrangements for preventing and detecting fraud and corruption were assessed during the audit and found to be satisfactory. No frauds were identified by Communities Scotland in 2005-06.

## Systems of Internal Control

### *Warm Deal/Central Heating*

26. Our audit in 2004-05 identified a number of serious weaknesses in the administration of these programmes including reconciliation failures, poor monitoring and a lack of Account's Reports from Eaga's auditors.
27. We carried out additional focused testing on this area during our final audit. We are pleased to note that reasonable and effective controls have now been implemented over warm deal/central heating programme expenditure. There are still some delays in the provision of Accountant's Reports and we will revisit this area during next year's audit as new contracts are introduced.



*Payments of grant in advance of need*

28. Our audit in 2004/05 noted that Internal Audit had identified a number of cases where grant payments were made to RSLs for acquisitions which were due to settle before the year end but which subsequently did not do so. There was a risk of irregular grant payments and therefore an overstatement of expenditure.
29. We note that additional procedures and controls were introduced by Finance this year. Our audit did not identify any instances of errors in this area and we are satisfied that controls are operating effectively.

*Management board*

30. We are pleased to note that the board is now up to full strength and that initial training has been given to the new members of the Audit Committee. We will review training provision for the audit committee during future audits.

## Review of Internal Audit

31. Communities Scotland recognises that internal audit is a key element of the internal control system set up by management. A strong internal audit function is necessary to ensure the continuing effectiveness of the internal control system that has been established. To maximise the reliance that external audit can place on internal audit and to avoid duplication of effort, the adequacy of internal audit is assessed each year. Internal audit is provided by Communities Scotland's own internal audit service.
32. On 30 March 2006 we sent a letter to the Director of Corporate Strategy identifying those areas where we planned to place formal reliance on the work of internal audit, in terms of International Standard on Auditing. Our 2005-06 review confirmed that this reliance was appropriate and that none of the observations and related risks identified in the reports precluded planned assurance from being taken for our financial statements audit. As in recent years, we continue to be impressed with the detailed findings contained in these reports.
33. Our 2005-06 report on Internal Audit provided an updated position on outstanding recommendations from our previous reviews of Internal Audit produced in 2002-03, 2003-04 and 2004-05. It also incorporated comments arising out of our review of 2005-06 internal audit reports and associated files.
34. Our previous reports highlighted possible improvements to increase the effectiveness of Internal Audit. We acknowledge Communities Scotland have taken a number of actions over the last two years which reflect positively and provide a basis for continuing development. We note that the



updated Risk Register is due to be reviewed by Internal Audit as part of the 2006-07 internal audit planning process.

35. However, we remain concerned that some of the issues highlighted in Internal Audit's detailed reports continue to occur and that implementation of their recommendations across the network varies. The issues we highlighted are:
- documentation standards.
  - grant appraisals.
  - HAG completions.
36. Our 2005-06 report makes a number of recommendations for increasing the effectiveness of internal audit. These include suggestions to enhance the scrutiny role of the Audit Committee and the Audit Liaison group. We also suggested that Communities Scotland should consider standardising the role of senior management involvement where 'special considerations' are taken into account in grant appraisal.
37. On 28 June 2006 the Head of Internal Audit provided the Chief Executive with reasonable assurance on the adequacy and effectiveness of the system of internal control within the Agency.



# Performance Management

## Introduction

38. This section covers our assessment of the way in which Communities Scotland secures value for money in the use of its resources. This year we focussed on two main areas, Efficient Government and Best Value, and also carried out short studies on local housing strategy assessment and monitoring and a review of Community Regeneration Fund monitoring. These studies arose out of the work we had carried out on the Priorities and Risk Framework and out of a number of national studies completed during the recent period which are also of relevance for the work of Communities Scotland.

## Efficient Government

39. The Efficient Government initiative is a 5 year programme with the aim of reducing waste, bureaucracy and duplication in Scotland's public sector. The primary objective is to deliver the same services with less money or to enable frontline services to deliver more or better services with the same money. The Efficient Government Plan sets targets to achieve of £745 million (rising to £900 million) of cash-releasing savings and £300 million (rising to £600 million) of time-releasing savings, by 2007-08.
40. Communities Scotland has committed to achieving cash releasing savings of £14.4 million and time releasing savings of £56,000 over the 3 year period from 2005-06 to 2007-08.
41. During 2005-06 Audit Scotland completed a management arrangements diagnostic on Efficient Government activities across a number of Central Government organisations including Communities Scotland. It aimed at providing baseline information on arrangements across a range of Efficient Government related topics.
42. Overall we concluded that, at the time of our audit in March, Communities Scotland had reasonable systems in place for monitoring, measuring and reporting the efficiency savings which contribute to the efficient government plan. In some areas, for example Regulation and Inspection, where approaches are changing, systems for monitoring savings are under development. We note that as most savings will occur from reducing the unit costs through the Affordable Housing Investment Programme, the success of this approach will be affected by the extent of adoption of larger scale and longer term construction contracts through collaboration among Registered Social Landlords. We also note that Communities Scotland are providing shared support services in the form of financial services for the Scottish Building Standards Agency and internal audit services for the Risk Management Authority.



43. A detailed position statement on a sample of public sector organisations in Scotland is being produced by Audit Scotland and will be issued later in 2006.

## Best Value

44. There is no statutory duty of Best Value in the wider public sector in Scotland (the Scottish Executive and its Executive Agencies, Executive NDPBs, and the NHS). Instead, the Scottish Executive issued high level guidance in May 2003, followed by more detailed draft secondary guidance in August 2003. This duty can be described as:
- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost).
  - to have regard to economy, efficiency and effectiveness, and the equal opportunity requirements.
  - to contribute to the achievement of sustainable development.
45. In May 2005, Ministers decided that they would not bring forward legislation which extends Best Value in the wider public sector. However, as Ministers do wish to encourage and embed the principles of Best Value across the wider public sector, revised guidance was issued in May 2006.
46. For 2005-06 Audit Scotland reviewed the progress by public bodies across the central government sector in organising arrangements to demonstrate Best Value, and to identify areas of good practice. As part of this review we completed a Best Value analysis to establish baseline information on the management arrangements in place within Communities Scotland. The overall aim of this analysis was to establish the organisation's arrangements for taking forward the Best Value agenda and demonstrating continuous improvement.
47. Overall, we assessed Communities Scotland's arrangements to secure Best Value as being under development but indicating progress. We note that Communities Scotland have a Business Improvement Strategy with a dedicated Steering Group and Unit to assist the roll out of Best Value throughout the Agency. We also note the progress made towards developing the Sustainable Development Framework which will reflect Communities Scotland's broader remit and embed changes into business plans. Communities Scotland also plan to ensure that they incorporate the revised guidance by introducing a self assessment process and developing procedures to ensure that any feedback is incorporated into the Strategy.
48. The results of a review across the wider public sector are currently under discussion and a summary analysis of the position of Agencies and NDPBs will be produced by Audit Scotland later in 2006.



## Local studies

49. In planning our audit we identified possible performance and partnership working risks around (1) Community Regeneration Fund monitoring and (2) Local Housing Strategy assessment and monitoring. We therefore examined aspects of Communities Scotland's work in these areas to get assurance that Communities Scotland is managing these risks effectively.
50. We provided reports with our findings in these areas to Communities Scotland directors in June, after discussion of the provisional results with line management. The main findings and recommendations of each report are summarised below.

### **Performance Measurement: a review of local housing strategy assessment and monitoring.**

51. Effective performance measurement systems are necessary to manage programmes and help achieve policy objectives. We examined aspects of Communities Scotland work supporting councils to prepare Local Housing Strategies (LHSs) and assessing the results, to get assurance that performance monitoring and measurement in this area was effective.
52. Overall Communities Scotland's monitoring and assessment of LHSs to date is effective and has helped councils develop the capacity and processes to undertake good quality strategic housing management. However, as Communities Scotland has highlighted, monitoring and evaluation including outcome measures are amongst the least developed areas of LHSs.
53. Communities Scotland considers that there is a need to draw together a more cohesive national performance framework with targets and measures. It has recently consulted on national outcome indicators to inform the future distribution of housing investment funds. These appear to be a good basis for measuring key outcomes linked to the national housing objectives. However, as part of its consideration of the outcome of the recent consultation we recommend Communities Scotland consider the completeness of these indicators compared to a comprehensive list of national housing aims. We also suggest it considers additional guidance on national outcome indicators for incorporation within LHSs.

**Action point 4**

### **Partnership Working: a review of Community Regeneration Fund monitoring**

54. Communities Scotland performance depends on good partnership working with other organisations. We examined aspects of the operation at the Community Regeneration Fund (CRF) to get assurance that working with Community Planning Partners (CPPs) was effective and promoted value for money.





55. Overall we confirm that Communities Scotland monitoring systems in this area appear to be effective. There is a risk that some gaps in monitoring information will not be filled. The Regeneration Division is managing this risk and the position should be clearer once Communities Scotland has reviewed the first annual monitoring reports.
56. We recommend Communities Scotland consider some additional quantitative comparisons to help to identify or confirm where improvement by individual CPPs may be needed for later years. It should also set a new target date for reporting the results of the first annual monitoring reports to Ministers.

**Action point 5**

## National Studies

57. As part of its wider role Audit Scotland publishes a number of reports on performance in the public sector in Scotland. Three, in particular, are of relevance to Communities Scotland

### Scottish Executive: supporting new initiatives

58. The Central Government team within the Performance Reporting Group of Audit Scotland undertook a study on the arrangements the Scottish Executive has in place to manage and monitor funding allocated to initiatives. It was based on a sample of 20 initiatives for which funding was announced during 2004, representing total expenditure of more than £1.4 billion.
59. Half of the initiatives complied with most important aspects of good practice and most of the initiatives complied with the majority of aspects. But there is scope to improve arrangements in a number of areas, most notably setting objectives, agreements with delivery partners, and monitoring and evaluation arrangements. Guidance may help to bring about these improvements.
60. Delivery partner experiences of arrangements varied substantially. They cited a number of specific concerns with arrangements, including the adequacy of consultation, difficulties with the short-term nature of funding and uncertainty around long-term funding arrangements.
61. The CRF was the highest value initiative in our sample and illustrates a number of the challenges the Executive faces in developing appropriate controls. The fund replaces three previous funding streams and has been established to bring improvements to Scotland's most deprived areas and to help individuals and families escape poverty. Effective community regeneration is a complex process involving many different types of projects and many agencies. To secure its CRF funding, each CPP must submit a three-year Regeneration Outcome Agreement (ROA) for approval by Scottish



ministers. The ROA must demonstrate clear links between local outcomes and the five national priorities for community regeneration, and set out how the CPP will use the CRF alongside partner resources, through a strategic, needs-based approach, rather than a project-led approach.

62. The arrangements the Executive is using to control the fund build on those previously used. Our report indicated scope for greater clarity in setting objectives and measures of success. It also identified a need to put in place arrangements for an evaluation that will provide evidence of the extent to which local delivery has contributed to the national priorities. Our local study on “Partnership Working: a review of Community Regeneration Fund monitoring” (paragraphs 52-54) has subsequently confirmed that overall monitoring in this area appears effective, subject to Action point 5 in this report.

## **Council house transfers**

63. Scotland’s councils provide some 364,000 homes at affordable rents, allocated on the basis of need. This is half the number they provided ten years ago, mainly because of housing stock transfers and right-to-buy sales. In the same period, homes provided by other not-for-profit landlords, such as housing associations, have tripled.
64. Housing transfer is the sale of all or part of a public body’s housing stock to an alternative, not-for-profit landlord. The Scottish Executive is encouraging transfers because they offer scope to increase investment and tenant control, thereby improving living conditions, promoting better services and more effective housing management and, ultimately, fostering community regeneration.
65. Since 1998, the Scottish Office and the Scottish Executive have spent some £258 million on the New Housing Partnerships (NHP), including direct support for transfers and wider initiatives. HM Treasury has provided £1.3 billion for early redemption of councils’ housing debt on transfer.
66. The national study examined how well the housing transfer policy has been implemented, and whether transfers have provided good value for money. The key messages from the study were:
- the management of transfers is improving.
  - the new landlords are delivering higher investment and rent increases within the guaranteed limits and tenants consider service is better.
  - transfers have promoted greater tenant control, though there is more still to be achieved.
  - better, clearer measures are needed to assess impact and value for money.



## Impact on Communities Scotland

67. It is important that the Scottish Executive continues to develop its evaluation framework to ensure value for money in future transfers. Communities Scotland's regulatory role also enables it to lead in assessing the impact of the transfer policy.
68. The Executive's recently introduced standard pricing model aims to promote better evaluation and value for money in housing transfers, and Communities Scotland is improving how it compares operating costs between landlords. These sources of information should enable the Executive to test cost-effectiveness in future transfer decisions.
69. The Executive should seek additional benchmarks or measures to help evaluate performance for its wider housing transfer policy goals, including measures for quality of service and tenant involvement and empowerment.
70. Councils need to know how much they need to spend on their retained housing to achieve the Scottish Housing Quality Standard by 2015. They need to assess how the necessary investment can be made, while maintaining good service and affordable rents for their tenants. By April 2007, Communities Scotland aims to have agreed a strategy with all councils to ensure they either have a feasible delivery plan, or are progressing with a transfer which will secure the required housing quality standard. Audit Scotland will continue to monitor these developments. The report said that the hand over of more than 100,000 council homes to new landlords since 1998 has brought more investment in properties and promoted tenant control. It is facilitating increased repairs and maintenance and the building of new homes, and is keeping rent increases down. The Scottish Executive should now reinforce its approach with clearer goals and measures for quality of service and tenant involvement. This would help increase the overall impact and the value for money of transfers. During this year and next, six more councils will be balloting a total of 50,000 tenants. The seven completed transfers that Audit Scotland examined in the report will result in £3.2 billion of investment into properties over the next 30 years. This is significantly more than the councils involved previously spent. Annual rent increases will be kept to one per cent or less in real terms, compared with average rises of three per cent a year in real terms under council ownership.
71. These results are possible partly because HM Treasury is paying off the historic housing debt of councils that undertake transfers. This allows income from rents to be invested in improving service to tenants and refurbishing homes, rather than paying for debt.
72. Each new landlord now has tenants making up at least one-third of its governing body, but there have been different approaches to tenant involvement. More than half of tenant groups responding to an



Audit Scotland survey say transfers have produced a big improvement in participation. But a quarter of tenant groups has seen no difference and one in ten say it has worsened.

73. The report said the central guidance for the earlier transfers did not provide a good route map and the Scottish Executive and councils under-estimated the workload involved. The first seven transfers incurred costs of £59 million. However lessons have been learned and new national standards and targets introduced in 2004 have greatly improved the strategic direction and guidance. These new standards cover all landlords of social housing, including councils that retain their properties.

## **Community Planning Partnerships**

74. Councils are required to establish CPPs to help public services work together. The review found that:

- All councils have established CPPs but it is too soon to find much evidence of the effectiveness of individual partnerships in improving local services.
- Different geographic boundaries and accountabilities can make it hard for organisations to work well together
- The large number of national policy initiatives each with their own funding arrangements can make it difficult for partnerships
- Some partnerships have agreed a limited number of priorities based on the needs of their area In others the progress is slower
- Partnerships now need to do more to demonstrate improvements for communities.



# Next Steps

75. Communities Scotland faces challenges in 2006-07 which include:

- the full implementation of the Scottish Executive EaseBuy system. Communities Scotland identified and corrected duplicate and triplicate purchases on this system during 2005-06. There is concern that Communities Scotland will have less controls over their purchasing than at present.
- the introduction of new Warm Deal/Central Heating Programme contracts. New contracts have been awarded and a new system of control will need to be developed.
- the independent Crerar review is looking at how improvements could be made in inspection, regulation, audit and complaints handling for public services in Scotland. Its recommendations to streamline the current system may result in changes to the operation of Communities Scotland.
- the introduction of a revised Regulation and Inspection system based on risk and proportionality. Although consultation is still in progress, a significantly revised approach will have effects on staffing and methods used.
- the sale of premises and relocation of posts from Edinburgh to Glasgow. The funding of the relocation project is dependent on the progress of two property sales.
- the development of the Community Planning Partnership Regeneration Outcome Agreements process. Communities Scotland are currently reviewing the first CPP annual monitoring reports and are in the process of developing their monitoring arrangements with their partners.
- The implementation of the new Strategic Housing Investment Framework will lead to changes in the way that funds are distributed to RSLs and local authorities. This may mean adjustments in Communities Scotland's relationship with these bodies in the transition period.

# Appendix A: Outcome on Risks Identified in the Audit Risk Analysis and Plan

## Strategic Planning

Risk	Management assurances	Planned audit action	Outcome
1. The Agency is unable to deliver key policy objectives and has not developed contingency plans to determine alternative course of action.	<ul style="list-style-type: none"> <li>Monitoring of performance at a divisional level using a 'traffic lights' system to escalate potential high risk programmes</li> <li>Preparation of regular performance monitoring reports including progress against financial budget and unit production</li> <li>Close co-operation and regular discussions with the Development Department (DD) and key partners such as Local Authorities and Registered Social Landlords</li> </ul>	<ul style="list-style-type: none"> <li>Review of minutes of Management Board and CMT meetings</li> <li>Review of a sample of monitoring reports during the year and at the year end.</li> </ul>	<ul style="list-style-type: none"> <li>Minutes and a sample of monitoring reports reviewed as part of the planning and final audit processes.</li> <li>Discussions with senior staff</li> </ul>
2. The divisional and corporate plans are not aligned with ministerial objectives and contain insufficient information on the allocation of financial resources.	<ul style="list-style-type: none"> <li>Agreement by CS Board and Corporate Management Team (CMT)</li> <li>Agreement with DD</li> </ul>	<ul style="list-style-type: none"> <li>Confirmation of approvals</li> <li>Review guidance issued on the preparation of business plans.</li> </ul>	<ul style="list-style-type: none"> <li>Review of corporate planning process as part of planning and Priorities and Risks Framework review</li> </ul>

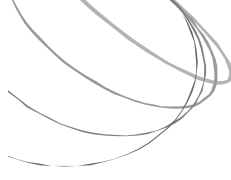
Risk	Management assurances	Planned audit action	Outcome
3. Major initiatives may not be subject to monitoring and review independently of line or project management.	<ul style="list-style-type: none"> <li>• Review by independent person</li> <li>• CS Board procedures for referral</li> </ul>	<ul style="list-style-type: none"> <li>• Review of board minutes and papers</li> <li>• Review of Department papers for major identified initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Review of minutes and papers as part of planning and final audit processes</li> <li>• National study on initiatives See paras 56-60.</li> </ul>

## Governance

Risk	Management assurances	Planned audit action	Outcome
<p>4. An appropriate corporate governance framework has not been developed with effective structures and processes to support the Agency's management including appointment of sufficient NEDs.</p>	<ul style="list-style-type: none"> <li>Statement of Internal Control included in the year end financial statements signed by the Accountable Officer</li> <li>Assurance statements from senior staff including Head of Internal Audit supporting the SIC</li> <li>Audit Committee reviews</li> <li>Board and CMT minutes</li> </ul>	<ul style="list-style-type: none"> <li>Review of corporate governance arrangements against best practice</li> <li>Review of assurances, audit committee findings.</li> <li>Discussions with Accountable Officer, and Director of Corporate Strategy</li> <li>Attendance at Audit Committee meetings</li> <li>Review of relevant minutes</li> </ul>	<ul style="list-style-type: none"> <li>Follow up review of corporate governance report.</li> <li>Interviews with senior CS personnel including the Accountable Officer (AO) as part of the PRF and planning process.</li> <li>Review of assurance statements which confirm SIC. Recommendation that all internal audit findings are reviewed for progress prior to the 2006-07 assurance statement confirmations. See para 22.</li> <li>Attendance at Audit Committee meeting</li> </ul>
<p>5. The Agency does not comply with its scheme of delegated authority, the scheme is no longer appropriate to the level of activity of the Agency</p>	<ul style="list-style-type: none"> <li>Discussions held with the Development Department to revise the Scheme of authority.</li> </ul>	<ul style="list-style-type: none"> <li>Review scheme of authority</li> <li>Obtain confirmation that significant write offs and losses comply with the scheme</li> </ul>	<ul style="list-style-type: none"> <li>Sample tests include scheme of delegated authority as part of final audit processes.</li> <li>Review of write offs and losses at year end.</li> </ul>



Risk	Management assurances	Planned audit action	Outcome
6. The Audit Committee does not provide effective challenge and support to the AO.	<ul style="list-style-type: none"> <li>Appointment of experienced non-executive directors during April 2006</li> <li>Issue of terms of reference for the Audit Committee, which comply with Best Practice requirements</li> </ul>	<ul style="list-style-type: none"> <li>Attendance at audit committees</li> <li>Review of audit committee and audit liaison group minutes</li> <li>Review Terms of Reference for Audit Committee and ensure these comply with 'Best Practice'</li> </ul>	<ul style="list-style-type: none"> <li>Attendance at Audit Committee meeting and review of minutes</li> <li>Briefing provided to Audit Committee</li> <li>Review Terms of reference as part of planning assessment</li> </ul>
7. The Agency does not provide effective training for all executive and non-executive board and other committee members.	<ul style="list-style-type: none"> <li>A new round of appointments of Non-Executive Directors is expected to be completed by the beginning of April, and a full induction and training programme will be introduced at this time.</li> </ul>	<ul style="list-style-type: none"> <li>Review of training arrangements</li> <li>Discussion with Non-executives to obtain their views of the training received</li> </ul>	<ul style="list-style-type: none"> <li>Training arrangements provided for new non executive directors.</li> <li>Confirmation of personal development system with HR</li> </ul> <p>See para 30.</p>
8. Proper tendering and procurement procedures are not in place and operating effectively.	<ul style="list-style-type: none"> <li>Financial procedures manual</li> <li>IT procurement strategy implementation</li> </ul>	<ul style="list-style-type: none"> <li>Review of tendering arrangements as part of planning and testing</li> <li>Computer audit review of procurement systems</li> </ul>	<ul style="list-style-type: none"> <li>Tendering and procurement procedures covered in planning reviews and sample testing.</li> </ul>



## Financial Management

Risk	Management assurances	Planned audit action	Outcome
9. The financial statements to not comply with the disclosure requirements of the Financial Reporting Manual (FReM)	<ul style="list-style-type: none"> <li>Obtained a copy of the FReM</li> <li>Obtain supplementary guidance from the Scottish Executive</li> <li>Complete National Audit Office (NAO) checklist</li> </ul>	<ul style="list-style-type: none"> <li>Review technical guidance issued, including the NAO checklist</li> </ul>	<ul style="list-style-type: none"> <li>Accounts satisfactorily reviewed for requirements of FReM.</li> <li>Guidance from Scottish Executive, NAO and technical unit of Audit Scotland reviewed</li> </ul>
10. Balances transferred from Scottish Homes are incorrectly posted onto SEAS and subsequent transactions are incorrectly accounted for	<ul style="list-style-type: none"> <li>Transfer of balances completed by an experienced member of staff and reviewed by supervisor</li> <li>Staff dealing with transactions have experience of the processes within Scottish Homes</li> </ul>	<ul style="list-style-type: none"> <li>Review journal to transfer balances and agree to Scottish Homes' financial statements</li> <li>Audit a sample of transactions</li> </ul>	<ul style="list-style-type: none"> <li>Transfer balances from Scottish Homes confirmed satisfactorily</li> </ul>

Risk	Management assurances	Planned audit action	Outcome
<p>11. Expenditure in relation to the warm deal/central heating programme is not accurately recorded (including accrual provisions at the year end) and is not reconciled to the underlying records.</p> <p>Third party assurance statements are not available to support work completed</p>	<ul style="list-style-type: none"> <li>Dedicated finance officer appointed who works closely with the finance department to ensure reconciliations are completed and differences resolved.</li> <li>A more formal request for information will be submitted to the grant recipient setting out details of the information required and ensuring the timing of this complies with CS accounts preparation timetable</li> <li>The letter of engagement has been agreed and CS has now received certificates up to 31 March 2005.</li> </ul>	<ul style="list-style-type: none"> <li>Review desk instructions issued on the procedures to reconcile the records</li> <li>Review the reconciliations prepared during the year and year end reconciliation and test a sample of reconciling items</li> <li>Review year end returns from the grant recipient and agree to year end accrual provisions</li> <li>Obtain copies of third party certificates and discuss procedures implemented for clearing issues raised in the certificates with the grant recipient</li> <li>Review a sample of grant payments, (testing to include confirmation that the conditions of grant have been complied with).</li> </ul>	<ul style="list-style-type: none"> <li>Detailed audit of Warm Deal/central heating programme identified that controls now operating satisfactorily although there are still delays in obtaining PWC certificates. See paras 26-27.</li> </ul>
<p>12. Arrangements to identify accruals and prepayments not being followed with incorrect recognition and matching to the correct accounting period.</p>	<ul style="list-style-type: none"> <li>expanded guidance on prepayments and accruals will be issued to all finance teams to ensure they are aware of the correct procedures</li> </ul>	<ul style="list-style-type: none"> <li>Specific review of accruals and prepayments</li> <li>Review of programme spend in April and May 2006 to ensure included in the appropriate financial year</li> </ul>	<ul style="list-style-type: none"> <li>Finance guidance reviewed.</li> <li>Additional testing around year end did not identify any errors See paras 28-29.</li> <li>Reliance on work of Internal Audit on transactions at year end</li> </ul>

## Performance Management

Risk	Management assurances	Planned audit action	Outcome
13. The Agency's Management Board does not systematically and effectively scrutinise performance, monitoring the delivery and effectiveness of strategy and holding senior management to account.	<ul style="list-style-type: none"> <li>Regular Board reviews of performance</li> <li>Performance system procedures</li> <li>CMT performance reviews</li> </ul>	<ul style="list-style-type: none"> <li>Review of board and CMT minutes and background reports</li> </ul>	<ul style="list-style-type: none"> <li>Minutes, and board and CMT papers reviewed and senior staff interviewed as part of the planning process and final audit</li> </ul>
14. Effective monitoring procedures are not in place to ensure that delivery agencies are meeting contractual and statutory obligations.  Delivery agencies do not supply accurate and sufficiently detailed information on their performance against targets.	<ul style="list-style-type: none"> <li>The Regulation and Inspection regime is a significant factor in the monitoring performance of both RSLs and LAs. Inspections cover the performance of organisations to standards set by CS</li> <li>All LA housing strategies have been submitted to CS. These include delivery plans which are reviewed in detail. CS will monitor achievement of these plans against 'milestones' set in the plans. Where CS does not consider the strategies are complete, LAs are asked to re-submit their plans</li> <li>CS obtains third party certificates for a number of grant programmes</li> </ul>	<ul style="list-style-type: none"> <li>Comparison of performance information and targets</li> <li>Review of CS follow up action where regulation/ inspection reports show under-performance</li> <li>Review CS actions in response to Local Authority housing strategies, including milestones set for individual councils and progress reported subsequently</li> <li>Review of subsequent action where shortfall identified</li> <li>Review of third party certificates</li> </ul>	<ul style="list-style-type: none"> <li>Examination of R and I documents and interview with senior staff on 2005-06 outcomes and priority changes within year.</li> <li>Review of evidence to support the Annual Report</li> <li>Review of CS work on local authority housing strategies. Report produced by Audit Scotland's Performance Reporting Group - Performance measurement: a review of local housing strategy assessment and monitoring. See paras 49-51.</li> <li>Review of findings from TMDF certificates from Glasgow and Edinburgh auditors</li> </ul>

Risk	Management assurances	Planned audit action	Outcome
15. Effective risk management disciplines are not in place.	<ul style="list-style-type: none"> <li>• Board reviews and reports</li> <li>• Performance reports and review process</li> <li>• Risk register reviews</li> <li>• Audit Committee reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Review of risk management process</li> </ul>	<ul style="list-style-type: none"> <li>• Review of risk management processes as part of planning and final audit</li> <li>• Reliance on work of Internal Audit on risk management</li> <li>• Review of Audit Committee, Board and CMT minutes and papers</li> </ul>

## Partnership Working

Risk	Management assurances	Planned audit action	Outcome
16. Partners responsible for the delivery of partnership agreement commitments do not have adequate governance and internal control procedures in place	<ul style="list-style-type: none"> <li>A number of programmes are subject to stringent regulation.</li> <li>CS assesses governance and internal controls of RSLs and LAs through the regulation and inspection regime. Prior to registration as an RSL, bodies are required to demonstrate that they have adequate procedures in place prior to registration</li> <li>Reliance on systems put in place by LAs</li> </ul>	<ul style="list-style-type: none"> <li>Review a sample of regulation and inspection reports</li> <li>Review work of Internal Audit for evidence of compliance with rules and regulations governing the grant programme</li> <li>Review grant certificates from external auditors of LAs</li> </ul>	<ul style="list-style-type: none"> <li>Examination of Regulation and Inspection documents and interview with senior staff on 2005-06 outcomes and priority changes within year.</li> <li>Review of Internal Audit reports and work</li> <li>Review of findings from TMDF certificates from Glasgow and Edinburgh auditors</li> </ul>
17. Responsibility for progress on joint working is not monitored and plans do not clearly demonstrate that responsibilities are appropriately assigned.	<ul style="list-style-type: none"> <li>Day to day responsibility for developing and monitoring housing programmes is devolved to the Area Office network, which provides technical support and financial monitoring</li> <li>CS monitors progress to achieving partnership agreement commitments and through this, measure partners progress as the delivery agent</li> </ul>	<ul style="list-style-type: none"> <li>Review a sample of key partnership agreements and procedures</li> <li>Review CS assessment of outcomes from 2005-06 CRF round</li> <li>Review the procedures for monitoring joint working arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>Review of sample of partnership agreements during planning process</li> <li>Review of CS monitoring of CRF. Report produced by Audit Scotland's Performance Reporting Group – Partnership working: a Review of Community Regeneration Fund monitoring See paras 52-54.</li> </ul>

Risk	Management assurances	Planned audit action	Outcome
	<ul style="list-style-type: none"><li>• Regeneration Outcome Agreements have been submitted for all 32 CPPs, which set out the objectives and how the delivery body intends to achieve these</li><li>• All LAs must prepare a Housing Strategy which are assessed by CS on behalf of the Ministers</li></ul>		

## Best Value and Efficient Government

Risk	Management assurances	Planned audit action	Outcome
18. Arrangements are not in place to ensure compliance with the guidance issued covering implementation of the duty of best value.	<ul style="list-style-type: none"> <li>Business Improvement Group within CS monitors Best Value</li> <li>Director of Corporate Strategy is represented on the SE Best Value External Reference Group which advises and supports the SE on Best Value in public services</li> <li>The Director of Corporate Strategy is responsible for leading Best Value within CS</li> </ul>	<ul style="list-style-type: none"> <li>Review guidance issued to staff on compliance with Best Value</li> <li>Completion of Best Value 'diagnostic'.</li> </ul>	<ul style="list-style-type: none"> <li>Review of Best Value guidance</li> <li>Completion of baseline Best Value review</li> <li>Review of CS business improvement plan as part of audit planning process</li> </ul> <p>See paras 44-48.</p>
19. The Agency can not ensure that the Efficient Government initiative has embedded the principles of Best Value and is part of the process by which the Agency delivers continuous improvement.	<ul style="list-style-type: none"> <li>The Chief Executive of CS is a member of the Efficient Government Steering Group</li> <li>The Head of Corporate Strategy is responsible for Efficient Government in CS</li> <li>Completion of Efficient Housing Investment Plan which sets out how CS is planning to meet their target whilst ensuring they deliver their Spending Review 2004 targets and demonstrate improved value for money</li> </ul>	<ul style="list-style-type: none"> <li>Review of Efficient Government Initiative actions including selection of targets, definition of efficiency savings, baseline information and monitoring arrangements.</li> <li>Completion of Efficient Government 'diagnostic'</li> <li>Review of Efficient Housing Investment Plan</li> </ul>	<ul style="list-style-type: none"> <li>Completion of Efficient Government baseline diagnostic and identification of key documents and monitoring procedures</li> <li>Review of CS business improvement plan and Efficient Housing Investment plan as part of audit planning process</li> </ul> <p>See paras 39-43.</p>



## People Management

Risk	Management assurances	Planned audit action	Outcome
<p>20. Workforce planning mechanisms do not ensure the necessary skills and resources required to achieve corporate objectives are on place.</p>	<ul style="list-style-type: none"> <li>• Completion of a 3-year HR Plan, which set out resourcing/redeployment priorities for the next 3 years, based on anticipated workload and efficiencies, and taking into account the SE's new resourcing policy</li> <li>• Completion of regular personal assessment and development reviews for all employees</li> <li>• Ensure staff have access to training which supports the corporate objectives and their role within CS</li> </ul>	<ul style="list-style-type: none"> <li>• Review personnel plan</li> <li>• Review divisional plans</li> </ul>	<ul style="list-style-type: none"> <li>• Review of personnel procedures and plan.</li> <li>• Discussion with senior staff on priority changes and personal development system</li> </ul>
<p>21. The re-location plans do not take into account the costs of incentives for staff moving and an assessment of the impact and costs of staff not choosing relocation.</p>	<ul style="list-style-type: none"> <li>• Relocation board has been established to oversee the arrangements</li> <li>• Funding for the relocation is expected to be from sale of excess property</li> </ul>	<ul style="list-style-type: none"> <li>• Review minutes of relocation board</li> </ul>	<ul style="list-style-type: none"> <li>• Review of relocation minutes and key papers to Relocation and CS boards and discussion with senior staff on range of risks</li> </ul>

## Information Management

Risk	Management assurances	Planned audit action	Outcome
22. Communities Scotland systems outside the Scottish Executive network are not effectively supported or risk assessed	<ul style="list-style-type: none"> <li>Development and implementation of IS strategy</li> </ul>	<ul style="list-style-type: none"> <li>Computer auditor review of IT management arrangements</li> <li>Computer auditor pathfinder diagnostic review</li> <li>Follow up of prior year reports (Computer Systems Review (CSR) and website)</li> </ul>	<ul style="list-style-type: none"> <li>Review of IT management arrangements and the CSR was incorporated in the ICT progress letter in October</li> <li>Pathfinder Diagnostic Review produced for 3 key systems identified by CS: <ul style="list-style-type: none"> <li>The Resource System (TRS) / Resource for Councils</li> <li>Stellent Content Management System;</li> <li>Annual Performance &amp; Statistical Return</li> </ul> </li> <li>the follow up report of the Website overview was produced in October</li> </ul>
23. Measures are not in place to ensure that business continuity and contingency plans for all critical areas are developed, tested and reviewed and that an information security policy is in place.	<ul style="list-style-type: none"> <li>Development and regular testing of contingency and business continuity plans.</li> </ul>	<ul style="list-style-type: none"> <li>Computer auditor review of business continuity and contingency plans and procedures including testing and proposed developments</li> </ul>	<ul style="list-style-type: none"> <li>The ICT progress letter in October identified that Business Continuity Management is still being developed and will be reviewed in 2006-07</li> </ul>

# Appendix B: Action Plan: Recommendations for Further Improvements

Action Point	Para. No	Issue, Risk and Audit Recommendation	Importance	Management Response	Responsible Officer	Target Date
1	22	<p><b>Reporting progress on implementation of internal audit recommendations to the AO</b> To back up the Accountable Officer's statement of internal control in the 2005-06 accounts, Directors were asked to complete assurance statements which confirmed that there were no significant problems in those areas for which they were responsible. Details of the progress of implementing internal audit findings would not be available until after the AO signed the Communities Scotland accounts although the timing is satisfactory to support the assurances provided by the AO for the Scottish Executive accounts</p> <p>There is a risk that agreed actions to rectify acknowledged significant control weaknesses may not be implemented timeously.</p> <p>We recommend that each Director should complete a review of the progress of actions taken on existing unimplemented and agreed internal audit findings in their area before the 2006-07 accounts assurance statements to the Accountable Officer are finalised.</p>	High	<p>Any significant or material items arising from audit reports which would affect the Statement of Internal Control or the Annual Statements of Assurance would be reported separately to the Chief Executive and Audit Committee before the annual accounts were finalised."</p> <p>From 2006-07 all Directors will be asked to review progress on implementing internal audit findings and include details in their annual assessment statements.</p>	Head of Audit in Consultation with Director Area Network	2006-07 accounts

Action Point	Para. No	Issue, Risk and Audit Recommendation	Importance	Management Response	Responsible Officer	Target Date
2	22	<p><b>Application of Guidance notes</b> We have had difficulties in determining which notes are currently in use. The process for the issue of notes appears to be by-passed on occasion. Internal Audit have identified a number of instances where out of date guidance has been used for appraisals.</p> <p>There is a risk that incorrect appraisals or awards may be made leading to irregular or overpayments.</p> <p><i>We recommend that consideration should be given to complete the following actions as soon as possible:</i></p> <ul style="list-style-type: none"> <li>• <i>Preparing and issuing an instruction to ensure that only current guidance is used.</i></li> <li>• <i>Compiling a complete list of all notes which are not superseded (internal audit may be able to assist with this)</i></li> <li>• <i>Compiling an overall set of guidance and procedure notes whereby old existing notes, going back to pre 1990, are integrated with newer notes, such that all current notes are no more than 3 years old.</i></li> </ul>	Medium	<p>A project team responsible to the Director of Corporate Strategy is working to address this. Its objectives are as follows:</p> <ul style="list-style-type: none"> <li>• Identify all current guidance notes and allocate ownership to teams</li> <li>• Ensure that all guidance is clearly marked superseded, where this is the case</li> <li>• Ensure that guidance is readily available to users</li> <li>• Put in place an agreed corporate process for teams for the production, dissemination and review of guidance notes together with an intranet guide.</li> </ul> <p>A number of things have been achieved already:</p> <ul style="list-style-type: none"> <li>• Clear status categories for guidance notes have been established eg. current, superseded, withdrawn.</li> <li>• An up-to-date list of guidance notes has been established with ownership allocated to teams.</li> <li>• Ownership has been taken by the Exchange for the corporate process for producing and publishing guidance notes.</li> <li>• A web-based search engine for guidance notes is available on the website.</li> <li>• The teams that produce guidance notes are aware of the need for regular review and are doing this or have plans to do so in 2007.</li> </ul>	Director Corporate Strategy	31 March 2007

Action Point	Para. No	Issue, Risk and Audit Recommendation	Importance	Management Response	Responsible Officer	Target Date
3	22	<p><b>Reconciliation of Grants</b> During our review of grants we noted an instance where a grant which had been transferred to an area office was miscoded. We found that this grant had not been properly reconciled to TRS.</p> <p>There is a risk that funds may be incorrectly analysed and incorrect decisions made on future distributions.</p> <p><i>We recommend that Communities Scotland reviews its system of grant responsibilities to ensure that where responsibility for a grant changes, appropriate reconciliations to TRS take place.</i></p>	Medium	<p>Reconciliations between TRS and SEAS are undertaken regularly throughout the year. All transactions originating from TRS are checked to ensure that the coding is the same in both TRS and SEAS and that all transactions are reported correctly in SEAS.</p> <p>The problem identified by Audit Scotland related to reporting classifications used within TRS for programmes which had previously been centrally managed and which transferred to the Area Network. As a result of the transfer, different classifications were used and this led to reports from the TRS system being inconsistent with programme descriptions in SEAS.</p> <p>All programme managers will be asked to ensure that when reconciling programme expenditure, they take account of classifications within TRS and review the relationship between these classifications and coding in SEAS.</p>	Head of Finance/ Head of Investment	Complete

Action Point	Para. No	Issue, Risk and Audit Recommendation	Importance	Management Response	Responsible Officer	Target Date
4	51-53	<p><b>Local housing strategy assessment and monitoring</b></p> <p>Overall Communities Scotland' monitoring and assessment of LHSs to date is effective and has helped councils develop the capacity and processes to undertake good quality strategic housing management. However, as Communities Scotland has highlighted, monitoring and evaluation including outcome measures are amongst the least developed areas of LHSs.</p> <p>Communities Scotland considers that there is a need to draw together a more cohesive national performance framework with targets and measures. It has recently consulted on national outcome indicators to inform the future distribution of housing investment funds. These appear to be a good basis for measuring key outcomes linked to the national housing objectives.</p> <p>However, as part of its consideration of the outcome of the recent consultation we recommend <i>Communities Scotland consider the completeness of these indicators compared to a comprehensive list of national housing aims. We also suggest it considers additional guidance on national outcome indicators for incorporation within LHSs.</i></p>	Medium	<p>In line with our previous information update to Audit Scotland, we are currently reviewing Guidance to local authorities on how to prepare a Local Housing Strategy. That Guidance will include increased emphasis on outcomes and deliverables, and where we expect Councils to demonstrate progress against both local targets and Ministers' national policy aims for housing. We expect to issue this in February 2007.</p> <p>Later in 2007 we will be re-structuring the assessment framework we use for LHS to ensure it is similarly focused on actual outcomes rather than inputs. Separately we are reviewing the kinds of wider support (including toolkits and training) which Councils may need to ensure they prepare their next LHS in line with our requirements.</p>	Head of Strategic Planning, Investment Directorate	February 2007

Action Point	Para. No	Issue, Risk and Audit Recommendation	Importance	Management Response	Responsible Officer	Target Date
5	54-56	<p><b>Community Regeneration Fund monitoring</b></p> <p>Overall we confirm that Communities Scotland monitoring systems in this area appears to be effective. There is a risk that some gaps in monitoring information will not be filled. The central CRF unit is managing this risk and the position should be clearer once Communities Scotland has reviewed the first annual monitoring reports (due to be submitted by end June 2006).</p> <p><i>We recommend Communities Scotland consider some additional quantitative comparisons to help to identify or confirm where improvement by individual CPPs may be needed for later years (see below). It should also set a new target date for reporting the results of the first annual monitoring reports to Ministers.</i></p> <p><i>Potential performance indicators:</i></p> <ol style="list-style-type: none"> <li>Share of CRF spend on 15% most deprived areas</li> <li>Share of CRF spend allocated to specified projects at approval</li> <li>Share of CRF spend on implementation/monitoring/ administration costs</li> <li>Share of CRF spend on community engagement costs</li> <li>Spend per year per head of population in 15% most deprived areas</li> <li>CRF as a proportion of total CPP spending</li> <li>For each national priority, the number of indicators where targets have been agreed and corresponding baseline data obtained, as a percentage of all national indicators.</li> </ol>	Medium	<p>We note these comments and look to make best use of upcoming Scottish Index of Multiple Deprivation and what it offers us in terms of movement from 2004 index.</p> <p>Our first annual submission to Ministers on Regeneration Outcome Agreements reported on the results of the first annual monitoring on 14 November.</p>	Director Community Regeneration	Complete





# Appendix C: Auditor General for Scotland published reports

## Auditor General for Scotland

### *Relocation of Scottish Executive Departments, agencies and NDPBs (published 21/9/2006)*

28 public sector bodies have been, or will be, either relocated or established under the Scottish Executive's relocation policy, introduced in 1999. The Executive has plans to evaluate the impact of the policy but little has been done to date. For this reason it is difficult to determine whether relocations are good value for money.

## Accounts Commission and Auditor General for Scotland

### *Community planning: an initial review (published 16/06/2006)*

Community planning partnerships have made progress but need to do more to show how their work is improving public services. The report also says that their complex remit makes it difficult for them to achieve their aims and calls on the Executive to support community planning more effectively.

## Accounts Commission and Auditor General for Scotland

### *No hiding place: the National Fraud Initiative in Scotland (published 17/05/2006)*

Scotland's councils have worked with other public bodies to identify £15m worth of fraud and errors in a national detection exercise.

## Auditor General for Scotland and the Accounts Commission

### *Council housing transfers (published 24/03/2006)*

The transfer of council housing ownership is bringing benefits for tenants, says this report. It finds that management of transfers is improving but better, clearer measures are needed to assess impact and value for money. The report says the hand over of more than 100,000 council homes to new landlords since 1998 has brought more investment in properties - doubling it in Glasgow - and promoted tenant control. It is facilitating increased repairs and maintenance and the building of new homes, and is keeping rent increases down.

## Auditor General for Scotland

### *Leadership development. How Government Works (published 17/11/2005)*

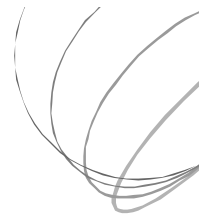
Scotland's public sector has good examples of investment in leadership but many individual organisations do not have clear policies and most are unable to link the spending to improvements in their performance. Public bodies need to do more to track the £5m they invest each year in leadership development and make sure it results in better managed organisations and better public services, says Audit Scotland.

## Auditor General for Scotland

### *Scottish Executive: supporting new initiatives. How Government Works (published 10/11/2005)*

Last year the Scottish Executive launched new initiatives amounting to £1.4 billion. The management of these projects is generally sound, but making changes could help to improve control of the funding and allow better assessment of whether the money is helping to achieve policy aims.





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