



Audit Scotland Annual Report 2006/07



Accountability and performance



The Audit Scotland Corporate Plan for 2006-09 confirmed our three priorities:

- Supporting effective democratic scrutiny.
- Maximising the value of the audit.
- Building an efficient and effective organisation.

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Our year

We are pleased to introduce Audit Scotland's annual report for 2006/07. The report highlights the full range of our work this year and gives an insight into the breadth and depth of our activities across public services. We remain committed to delivering our twin aims of holding public bodies to account and helping them improve.

The past year has once again seen Audit Scotland make a significant contribution to informing public policy debate. As the single audit agency for Scotland's public services, we are uniquely placed to consider not just individual organisations and sectors, but whole systems of public service delivery. Our position allows us to follow the public pound from policy formulation, right through to service delivery.

Audit Scotland supports public bodies to continue to improve, while providing assurance to elected representatives, appointed board members and the public that public money is being spent properly, efficiently and effectively.

Some areas of our work are more visible than others, but our work with audited bodies remains the foundation of our business and of the assurance provided to audited bodies and other stakeholders.

Public audit in Scotland is delivered by Audit Scotland and private accountancy firms. We continue to believe that this blended model of delivery provides good value for money and ensures that the public audit regime benefits from the best audit resources available.

In 2006, we successfully completed the smooth transition to new audit appointments across the public sector.

Public services continue to face significant challenges in Scotland. In the context of tighter budgets, all public services, including Audit Scotland, need to ensure they are delivering best value. In the past year Audit Scotland has spent around £25 million, which is less than 0.1 per cent of the £29 billion spent by the bodies that are audited. We have been able to reduce our proposed fee increases in audit fees for most public bodies and make significant rebates to clients as a result of end year flexibility and changes to VAT arrangements in local government. We have also been able to make savings as a result of restructuring the business. We remain committed to continuing to improve the efficiency of public audit in Scotland.

Alastair MacNish, chair of the Audit Scotland Board, will be ending his term of office in September 2007, by which time he will have served on the board for six years.

"This is the last annual report which I will introduce as chair of the Audit Scotland Board. During my period of office I have been impressed by the commitment and effort of our partners in contributing to the success of our work together. I wish to express my appreciation of the work of the Auditor General and the staff of Audit Scotland with whom it has been my privilege to work. Their engagement and support have been invaluable during my period of office, and I thank them all."



Robert W Black Accountable Officer

RWB



Alastair MacNish Board Chair

What we do

Audit Scotland helps the Auditor General and the Accounts Commission ensure that public money in Scotland is used properly, efficiently and effectively.

Our aim is to hold public bodies to account and help them improve.

Audit Scotland audits the majority of devolved public services in Scotland, which gives us a unique insight into the issues facing Scotland's elected representatives, appointed board members, and public sector managers. We carry out a wide variety of audits, including detailed and systematic investigations of various aspects of how public bodies work. We audit about 200 public bodies in Scotland which spend more than £29 billion a year. Audit Scotland delivers approximately two-thirds, by value, of public audit in Scotland and we work in partnership with private firms, appointed by the Auditor General and Accounts Commission, to deliver the rest.

Our audits check whether public bodies:

- manage their financial resources to the highest standards
- achieve best value in the use of public resources.

Three principles guide our work: our auditors are independent of the organisations they audit; they report in public; and they audit financial statements, governance arrangements and performance.

Audit also helps ensure organisations:

- operate within the regulations that govern their work
- deliver value for money
- act honestly, with propriety and integrity.

Audit Scotland's reports are presented to either Parliament or the Accounts Commission. For a full picture of our role in the accountability process and in the wider scrutiny of public services in Scotland, turn to Appendix 2.

Highlights of 2006/07

- 1** Delivered the annual audit of around 200 public bodies and £29 billion expenditure in Scotland, providing assurance to elected representatives, appointed board members and the people of Scotland.
- 2** Delivered, on behalf of the Accounts Commission, nine Best Value audits.
- 3** Completed a study into public sector pensions, reporting cumulative unfunded liabilities of between £43 billion and £53 billion.
- 4** Delivered a report on the Efficient Government Initiative, recognising progress was being made in delivering efficiencies, but that more needs to be done to provide assurance on the accuracy of reported savings.
- 5** Reported on the implementation of the 21st Century Teachers' Agreement, an agreement which cost £2.15 billion to implement. We recommended that the Executive needs to work with partners to identify and report on a set of comprehensive performance measures.
- 6** Worked in partnership with the Audit Commission on the National Fraud Initiative, identifying £15 million of fraud and errors which could be eliminated.
- 7** Ensured a smooth transition to the new five-year audit appointments.
- 8** Reduced our proposed fee increases to most audited bodies and made significant rebates to clients.

A photograph of a park scene. In the foreground, a person wearing a blue shirt and a white helmet is sitting on a dark metal bench. A bicycle is leaning against the bench. The person is looking towards the right. The background is filled with lush green trees and a grassy area. The lighting is bright, suggesting a sunny day. The overall atmosphere is peaceful and natural.

Audit Scotland exists to:

- provide services to the Auditor General and Accounts Commission
- promote high standards of governance, stewardship and management in public bodies
- deliver high-quality public audit, support service improvement and best value
- report in the public interest.

We published:

195

final annual audit reports
to public bodies

4

across-government
performance reports

4

central government
performance reports

4

NHS performance reports

9

Best Value reports

4

other local government
performance reports

9

reports on accounts to the
Scottish Parliament

Details of the above reports can be found in Appendix 3 and they can be found on our website www.audit-scotland.gov.uk

Supporting effective democratic scrutiny

Our work helps elected representatives assess and scrutinise the performance of public services and ensure that public money is being spent appropriately. At a local level we provide assurance on the use of public money, performance and governance within individual public bodies.

Our work is designed to hold public bodies to account and to help them improve. Our auditors attend audit committee meetings, making an important contribution to governance in councils, health boards and central government bodies. Elected members can be assured that our work is independent and based on evidence. We also report in public which provides greater transparency for the accountability process in public bodies.

At a national level, we report on significant issues for the public services in Scotland. Reporting to either the Auditor General or Accounts Commission, our reports highlight issues that are relevant to whole sectors such as local government and health and, increasingly, across government. Audit Scotland's position as the single audit agency for the public sector in Scotland means we are uniquely placed to consider and comment on issues that span traditional organisational boundaries. This is becoming increasingly important as the shape of public service delivery continues to evolve.

Our work often makes a significant contribution to debates on important areas of public policy. For example, our reports on community planning, the Efficient Government Initiative and public sector pension schemes have all made important contributions to the debates concerning how these should develop in future, based on independent, evidence-based audit assessments.

The good work we find

During the course of our audits, we find many examples of good practice and achievement at the bodies we examine. Reporting in public allows us to share this knowledge with the rest of the public sector. Among those we reported in 2006/07 were:

- Fire authorities throughout Scotland have cut incidents of arson and deliberate false alarms through a variety of community safety projects. The Tayside force worked with police to carry out joint patrols in an area of high risk in Dundee, cutting fire-raising incidents by 46 per cent in the scheme's first year. Strathclyde cut malicious fire alarms in East Renfrewshire and East Ayrshire by 40 per cent between 2005 and 2006 through work with the areas' anti-social behaviour working groups. Grampian officers delivered community safety education and advice and worked with community groups in two high-risk Aberdeen neighbourhoods. This helped cut dwelling fires by 7.5 per cent and casualties by 71 per cent between 2004/05 and 2005/06 (*A review of service reform in Scottish fire and rescue authorities*, 1 March 2007).
- The admission of new nations to the European Union in 2004 has resulted in increasing numbers of migrant workers in the Scottish Borders. The Scottish Borders Council set up a migrant outreach worker role to help new residents settle and access services. The council created welcome packs with information on council services, housing, medical and health services, translation and benefits services. It is also working with the local housing association to address the issue of affordable housing (*Scottish Borders Council: The audit of Best Value and Community Planning*, 7 March 2007).
- Air quality assessments found several areas of Glasgow had unacceptable concentrations of nitrogen dioxide (NO₂), so the city council created an Air Quality Management Area. This set in place several measures to reduce traffic numbers and congestion, as more than 70 per cent of the NO₂ was attributed to road traffic emissions. Subsequent monitoring has found that NO₂ levels have fallen (*Scottish Executive: An overview of the performance of transport in Scotland*, 28 September 2006).
- NHS Tayside set up a programme to implement NHS Quality Improvement Scotland standards on food, fluid and nutritional care in hospitals. A dietician and catering adviser produced more than 600 recipes that were each nutritionally analysed. Every kitchen in NHS Tayside then tested the recipes and gave feedback on any changes. A final set of recipes is due to be implemented by the end of 2007 (*Catering for patients: A follow-up report*, 30 November 2006).



Supporting effective democratic scrutiny

Public performance reports

The reports we produce are presented in four groups:

- Central government.
- Health and community care.
- Local government.
- Across-government.

Our public reporting programme covers key areas of public interest and public policy. We develop our forward work programme after extensive consultation with stakeholders, audited bodies and the public in order to target areas where we can support improvement in public services.

Reports on the central government sector and the health and community care sector are prepared for the Auditor General. He then presents them to the Scottish Parliament's audit committee. Reports on local government are prepared for the Accounts Commission. For more on the accountability process for Audit Scotland reports, see Appendix 2.

As public services are increasingly delivered across traditional sector boundaries, many of our reports cover more than one sector. Typically these will include local government, so we prepare these across-government reports for both the Auditor General and the Accounts Commission.

Many of our reports in 2006/07 highlighted the need for public sector bodies to develop more rigorous approaches to performance monitoring and reporting, and to focus more on outputs and outcomes. At the moment it can be difficult to find robust evidence that particular policy initiatives or developments are actually delivering best value.

Full details of all our reports published in 2006/07 are in Appendix 3.



Miranda Alcock, portfolio manager for Communities, describes the work she led on producing the report, *Community Planning: An initial review*

“Community Planning is one of the Scottish Executive’s key policies and is designed to ensure that the planning and delivery of public services is joined up. We undertook this study for both the Auditor General and the Accounts Commission, which enabled us to look at the implementation of the community planning legislation right across the public sector. The study also helped the Accounts Commission consider how it should fulfil its legislative role in relation to community planning. Previous audit work had raised concerns about the effectiveness of joint working between different organisations, and these findings also fed into the planning of the study.

In gathering our evidence, we surveyed all 32 community planning partnerships, looking at areas such as their operational structures, policy priorities and management arrangements. We also interviewed people from a range of different organisations in 13 community planning partnerships across Scotland, and relevant senior staff in the Scottish Executive and agencies.

Our report, published in June 2006, found that while the partnerships had made progress, they needed to do more to show how they were improving public services. We also found that their complex remit made it difficult for them

to achieve their aims. We made recommendations relating to how the Executive could support community planning better, and what partnerships need to do to improve their effectiveness.

In addition to the substantial media coverage the report received, we also gave presentations at a number of conferences and workshops. The Improvement Service organised a conference looking at practical aspects of the report’s recommendations, and other conferences were hosted by the Community Planning Network, Health Scotland and the Northern Ireland Review of Public Administration.

The Scottish Parliament’s audit committee took evidence on the report. As part of the evidence gathering, the committee visited East Ayrshire community planning partnership and held a ‘round table’ evidence session with partner organisations. The committee reported in March 2007, with a number of recommendations for the Executive.

Local auditors are now following councils’ progress on the report recommendations, and we plan to do a national follow-up study in 2008/09.”

Supporting effective democratic scrutiny

Performance information

The Accounts Commission discharges its responsibility for performance information in local government through a national Direction. Audit Scotland is responsible for the development, publication and management of the Statutory Performance Indicators (SPIs) on behalf of the Commission. The SPI Data Compendium ('the Compendium') and Council Profiles are available on our website by December each year. This allows our stakeholders to use the data for assessing performance and benchmarking progress.

The Compendium provides all the SPI data for Scotland's councils, fire brigades and police forces. The Council Profiles give individual profile reports on Scotland's councils, with details of their performance against a range of indicators, and reports comparing councils on a range of key services.

We integrate commentary on a number of key findings from the Compendium into the local authority overview report. Findings from the SPIs are also used in our Best Value audits and national studies.

The Commission is currently engaged in discussions with stakeholders on the future framework for performance monitoring in local government and the role of SPIs within that. We expect the initial results of these discussions to feed into the 2007 Direction.

Reports accompanying audited accounts to Parliament

Auditor General reports, made under Section 22 of the Public Finance and Accountability (Scotland) Act 2000, raise issues arising from the annual audits of public bodies under his responsibility. Nine Section 22 reports were presented to Parliament in 2006/07. Details of these are in Appendix 3.

Correspondence and complaints

In 2006/07, Audit Scotland received 527 items of correspondence raising issues about the organisations that we audit, a rise of 180 per cent on 2005/06. This included 104 items relating to East Lothian Council and 180 in relation to Glasgow Housing Association. These items used proformas and required a standard response.

The nature and complexity of complaints varied widely. In examining them, Audit Scotland focused on whether audited bodies had incurred expenditure in accordance with their statutory powers, and whether they had taken steps to deliver financial probity and make best use of resources. We investigate further when we assess that there may be an audit issue.

Audit Scotland met its target of acknowledging correspondence within ten working days in 97 per cent of cases and in 90 per cent of cases we met our target of providing a full response within one month of the date of acknowledgement. This compares with 95 per cent and 86 per cent respectively in 2005/06.

International work

Audit Scotland continues to be involved in international activities, supporting developing countries in improving their own public audit arrangements. Much of our work in the international arena is conducted in partnership with other audit agencies, particularly the National Audit Office.

In 2006/07, we hosted several visits from overseas delegations. Visitors were keen to hear about the public audit model in Scotland, which is of particular interest to countries which are developing their own public audit arrangements. These visits allow us

to learn from other countries and at times challenge our own thinking and assumptions. In the past 12 months we have welcomed visitors from:

- Sweden
- Japan
- USA
- Uganda
- Malawi
- Tanzania
- China
- Russia
- Mongolia

In addition, Audit Scotland staff have been involved in capacity building projects overseas. As well as providing invaluable support to the recipient country, this international work provides an excellent development opportunity for our staff. In the past year, we have provided subject matter experts to projects in Lithuania and Uganda, and several others are planned for 2007/08.

We are also involved in the Scotland Malawi Partnership Governance Forum, which exists to raise the profile of and support governance issues in Malawi.



International case study – Mark Ferris (far right) in Uganda

The Ugandan National Audit Office (UNAO) has embarked on a major reform programme, with the support of the UK's NAO. Mark Ferris, an audit manager in Audit Scotland, worked as part of the NAO's project team in Uganda to develop their approach to local government audit.

"The audit of local government in Uganda presents significant challenges. There are 135 district and urban councils and around 900 county and sub-county councils to audit annually.

Quite simply, the scale of this task makes it very difficult to get through the work each year. In addition, the transport infrastructure in Uganda means it can take several days just to reach some of the audit sites. There are also significant risks in terms of maintaining quality and managing the backlog of work.

My role in the NAO team was to review the existing arrangements for the audit of local government and provide recommendations as to how it can be improved. In particular, I was asked

to consider the effectiveness of relationships with private sector firms, an area in which Audit Scotland has a strong track record.

In March, we welcomed a delegation from the UNAO to Edinburgh when we explained the audit model in Scotland and discussed the importance of an independent public audit function. Colleagues from Uganda were planning to use the Scottish experience to inform their own public audit legislation."

Public audits in Scotland:

64 Central government

24 NHS

39 Further education

32 Councils

35 Joint boards

1 Water authority

Delivering the audit

The annual audit of public sector bodies continues to be the foundation of our work. It is this audit work that provides assurance to local elected representatives and board members and supports improvement in public organisations.

Our annual audit work informs much of our national performance work. The work is conducted according to the Code of audit practice which reflects the ever changing international standards for the quality of audit. It is therefore important that we continually strive to improve the way we conduct the audit, ensuring our clients and stakeholders gain maximum value from the audit process.

In 2005, we revised our approach to local audit work and have now delivered the new approach to health clients for two years and to local authorities for one full year. The approach ensures that the audit focuses on the key priorities and risks in public bodies, so that resources are directed at the issues that really matter to elected representatives, the public and managers. Feedback from clients continues to be positive and we were able to close the audits of 2005/06 accounts around one month earlier than in previous years.

While we will continue to improve our approaches to audit, we believe the current audit approach, with a clear focus on priorities and risks and based on a sound understanding of the business, will stand us in good stead for several years to come.

Commissioning the audit

In May 2006, the Auditor General and the Accounts Commission completed the procurement process for the new five-year audit appointments. Approximately a third, by value, of the public audits in Scotland are conducted by private sector firms, with the remaining two-thirds conducted by Audit Scotland. A full list of appointed auditors is available on our website at www.audit-scotland.gov.uk/audit/appointments.htm

The procurement strategy was designed to develop greater collaborative working between private firms and Audit Scotland in order to deliver greater value to clients and stakeholders. All auditors involved in the audit of particular sectors meet regularly to share experiences, keep up to date with policy developments and discuss technical auditing matters. The transition to the new audit appointments has been managed successfully and the 2006/07 audits are now under way.

UK and international standards setting

Audit Scotland contributes to the development of accounting and auditing standards in the UK through membership of a number of bodies, including the Financial Reporting Advisory Board, the CIPFA/LASAAC Joint Committee and the Auditing Practices Board Public Sector Sub-Committee. Audit Scotland staff participate in many other panels and working groups that produce detailed guidance for public sector bodies. Reflecting the increasing importance of global standards to the UK public sector, we also contribute to the international auditing standard setting process through the work of the INTOSAI Expert Reference Panel and by responding to drafts of relevant standards.

Audit Scotland's Technical Services Unit provides technical advice and guidance for all public sector auditors in Scotland, ensuring they are aware of important developments in audit and accountancy

and playing a key role in sustaining the high quality of public audit. The 2006/07 audits are now under way.

Reporting arrangements

For the 2005/06 audits, 195 final annual audits were completed. Of these, 114 were delivered by Audit Scotland and 81 by private accountancy firms.

Auditors report to the Auditor General and the Accounts Commission. In some cases their work results in requests for further reports on specific issues, or the audits may be used as the basis of wider overviews of entire sectors. Auditors also report directly to the public bodies they audit, enabling them to identify problems and plan improvements themselves. In 2006/07, Audit Scotland's auditors produced around 375 separate reports for the public bodies they audit. These management reports cover a wide range of areas, for example:

- financial management and budgetary control in the Scottish Executive
- e-Procurement
- asset management
- financial strategy and planning.

Our annual audit reports cover the full range of audit work undertaken in the year, providing clients and stakeholders with a comprehensive and independent view of financial management, governance and performance in public bodies.

Overall, the standard of financial stewardship in Scotland remains sound. There were two qualifications to the accounts of local authorities, those of the Comhairle nan Eilean Siar and Shetland Islands Council. In both cases the qualifications were due to technical accounting issues. The Shetland Islands Council also breached European Commission rules on state funding of private businesses. There were no qualifications in the previous year. There were no reports to the Accounts Commission as a result of illegality, loss or impropriety in the way a local authority conducted its financial affairs.

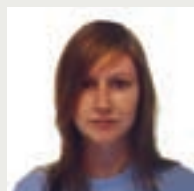
Delivering the audit

Audit Scotland prize winners

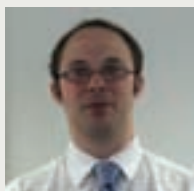
Audit Scotland is committed to providing an excellent graduate training scheme, both in order to support the continued quality of our own work and to provide a pool of skilled public sector auditors for the future. A number of Audit Scotland trainees were CIPFA Scotland prize winners in 2006. The following won awards in these areas:



Kerry McGuire
Governance and Public Finance



Louise Robertson
Management Accounting



Laurence Slavin
Financial Accounting



Tom Reid
Audit and Assurance

Delivering quality

We remain committed to delivering a public audit service that is valued by clients, stakeholders and the general public. To do this, we need to ensure quality in everything we do. Our Audit Strategy Group is responsible for setting the standards expected of all public sector auditors in Scotland, as set out in the Code of audit practice. The Audit Strategy Group undertakes quality appraisals of audits, both those delivered by Audit Scotland and those delivered by external firms. All auditors appraised in 2006/07 obtained a satisfactory assessment.

In 2006/07, we conducted a service quality survey as part of our audit quality appraisal framework. We survey a different sector each year. The survey, which achieved a 65 per cent return, was conducted on the NHS 2005/06 audits. Eighty-seven per cent of clients rated the overall quality of service as good or very good.

Our performance audits follow a rigorous project methodology which ensures quality at every stage in the development process, from project scoping to reporting and follow up. In 2006, we further improved our quality assurance process, which ensures that our performance audit work benefits from robust external quality assurance.

National Fraud Initiative

The National Fraud Initiative (NFI) is a data matching exercise, delivered in partnership with the Audit Commission, which compares information mainly about benefit applicants, employees and public sector pensioners. NFI helps to identify fraud and error in the public sector.

Having completed the bulk of the work in 2005/06, in May 2006 we published *No hiding place*, our first report on the NFI in Scotland. Local authorities and the Scottish Public Pension Agency identified over £15 million of overpayments and savings from the 2004/05 NFI. Cumulative savings have now reached around £27 million in Scotland.

The 2006/07 NFI began in October 2006 and extended the exercise to include Scottish health bodies. Councils have also been required to provide a wider range of information than before and this should help them, for example, to recover higher levels of former tenants' arrears. NFI 2006/07 also allows councils to provide a much wider range of information relating, for example, to 'blue badges' and care home residents. In these cases NFI helps councils to check whether services are being used or charged after individuals have died. Councils provide this information for the audit where they consider there are benefits to be gained or risks addressed.

Public bodies are currently investigating their 2006/07 'matches' and auditors are monitoring their progress. We will publish a report on the 2006/07 NFI results in spring 2008.



£29b

spent by the bodies we audit.

£25m

spent on services for the Auditor General
and the Accounts Commission.

0.1%

the cost of audit against the spend by the bodies we audit.

Improving the business

This year, we continued our efforts to make Audit Scotland a more efficient and effective organisation.

We have been making changes to the way we run our business. Our commitment to continuous improvement is illustrated by developments in the way we manage our people, processes and technologies.

We continued to roll-out our management development programme and we have implemented a new time recording system. Other projects include developing our information management, improving internal and external communications and implementing our environmental management strategy. We carry out internal best value reviews and seek feedback from inside and outside the organisation on our performance.

Case study – print tender

Audit Scotland requires value for money and high standards in print, storage and distribution. In 2006/07, we printed almost 34,000 copies of our reports. All of our reports are published on the web and in 2006/07, 46,700 reports were downloaded. We undertook a review of our future print requirements in 2006 prior to our existing print contract expiring on 31 March 2007.

Our new four-year print contract will allow Audit Scotland and the appointed supplier to achieve economies of scale. In particular, Audit Scotland will benefit from:

- efficient use of staff time through not having to constantly find print suppliers
- control/future proofing of print costs for the next four years
- anticipated reduction in print costs due to tendering competition
- continuity of service throughout the period to set up successful and productive working arrangements.

Efficiency, effectiveness and best value

Audit Scotland is committed to delivering an efficient and effective public audit service, ensuring best value in everything we do. This involves a commitment to continuous improvement and to maximising the value that clients and stakeholders receive from the audit process.

Audit fees

For the 2006/07 audit year, we have been able to reduce our proposed increases in charges to most audited bodies from a projected three per cent to between one and 1.5 per cent. As a result of end year flexibility we were also able to provide a rebate of £500,000 to audit bodies.

As a result of changes in VAT arrangements in local government we were able to provide a rebate of £800,000 to local authorities and the revised arrangements will result in recurring reductions of around £400,000 per year.

Efficiency savings

Our overall budget increased by three per cent although some of our costs, such as fees to approved auditors ('the firms'), have increased by four per cent to reflect the impact of adopting International Standards (Accounting). Audit Scotland is meeting the new standards at no additional cost, resulting in savings in charges to audited bodies of £139,000.

During 2006/07, we removed a senior post from the establishment, resulting in recurring annual savings of £160,000 per year.

The cost of NHS audits overall was reduced by £75,000, arising from the dissolution of NHS Argyll & Clyde.

In NHS audits, the final element of cost reduction arising from the abolition of trusts was in place for 2006/07 audits, meaning that the total recurring annual savings are £264,000.

The largest part of our income comes from charges to audited bodies. We benchmark our charging regime using information from the Audit Commission and the National Audit Office and intelligence on audit firms' fees. An economy, efficiency and effectiveness study by our external auditors, HW Chartered Accountants, concluded that:

- our fee levels compare favourably against the audit fees charged for similar-sized authorities in England
- our running costs (or indirect costs), as a proportion of the total fee charged, has in overall terms, fallen since 2004/05.

In 2006/07, we conducted best value reviews on programme and project management, our printing services and our correspondence and complaints handling. We have also been reviewing how Best Value audits in local government are conducted.

Developing people

Audit Scotland employs around 280 people in offices in Aberdeen, East Kilbride, Edinburgh and Inverness. We work to ensure that our people are effective, confident and able to deliver for our clients and stakeholders. Our Personal Development Scheme (PDS) is now fully embedded, which means that all members of staff benefit from at least one formal appraisal meeting each year with their manager.

Improving the business

During the past 12 months we have delivered on our 2006/07 Learning and Development strategy. We remain committed to professional and personal development for all staff, based on their performance appraisal with their managers. We support a range of personal effectiveness training, such as presentation skills, writing for impact and performance management. In addition, we support the use of coaching and mentoring as useful tools in the overall learning and development framework.

We also saw the continuation of our leadership development programme and the launch of our management development programme, which together are providing high-quality personal development for senior staff. We have delivered technical and professional training through a mix of in-house and external specialists, so our people maintain and enhance their professional knowledge. Our professional training scheme for auditors is accredited by CIPFA and four of our trainees achieved prize-winning results in their examinations during 2006 (see page 12 for details), the best performance since Audit Scotland launched the scheme in 2001.



Parminder Singh, senior auditor, selected as a 'Leader of Tomorrow'

Senior auditor Parminder Singh was chosen by the Association of Chartered Certified Accountants (ACCA) for their 'Leaders of Tomorrow' programme. Parminder, who was CIPFA's best student of 2005 from a public audit background, joined eleven other recently qualified members on a scheme to receive specialist management and leadership training. ACCA chose him after analysing his academic record and receiving personal recommendations.

Developing technology

In 2006/07, we continued to develop new systems and focused on getting the most from our existing technologies. For example, we:

- developed a new time recording system which will allow us to monitor and report more accurately on time and cost information (the system went live on 1 April 2007)
- implemented a new telephony system which will improve the service for external and internal callers and keep call costs down
- implemented a new finance system which allows us to manage and report on our financial resources more effectively
- developed a new intranet which will facilitate improved information and knowledge sharing
- connected new audit sites to the Audit Scotland network, allowing auditors to work more effectively on the clients' site.

Diversity

During 2006/07, work to mainstream diversity and equalities across Audit Scotland continued with a range of presentations to teams and the acquisition of an e-learning package. We produced an action plan to take forward our work on diversity and equality and we will be continuing to implement this over the coming months. The plan incorporates our responsibilities in relation to race, disability and gender equality in the public sector. In December 2006, we published our disability equality scheme and action plan and we are currently developing our gender equality scheme.

Sustainability

Audit Scotland has an environmental management team which has set targets and nominated a number of environmental guardians throughout the organisation. For more details see the case study below.



John Lincoln, chair of Audit Scotland's environmental management team

"Audit Scotland is committed to the principle of sustainability. We try to reduce the impact of our work on the environment and have developed an environmental strategy that focuses on key areas where Audit Scotland has its biggest environmental impact. During 2006/07, we reduced our impact on the environment by:

- reducing the number of taxi journeys taken by staff through the introduction of pre-paid bus tickets
- reducing our use of paper
- using sustainable/fair trade products for meetings
- promoting environmentally friendly ways for employees to get to work and travel on business
- reusing over 1,000 items of stationery
- taking steps to reduce our energy use.

In addition, we recycled our waste paper and plastic, and our publications are printed on a minimum of 80 per cent recycled paper.

Audit Scotland has, and will continue to, raise awareness of environmental issues with staff through our network of environmental guardians."

Freedom of Information

We recognise the value of openness and transparency and we are mindful of the potential public interest in the information we hold.

We keep a log of information requests that are less straightforward to deal with and have a formal process, agreed by Audit Scotland's Board, for how to treat such enquiries. In 2006/07, we logged 13 such Freedom of Information requests, details of which can be found on our website at www.audit-scotland.gov.uk. In addition, a wide range of information is available through our publication scheme, details of which can also be found on our website.

Our impact

In 2006/07, our local auditors attended around 330 audit committee meetings of the bodies they audit and provided those bodies with at least 375 separate written reports through the year. We are therefore a local presence to support accountability and effective governance within public sector bodies.

Our work also supports improvement in the development and delivery of public services. The impact of our work can be seen in different ways, depending on the nature of the topic and the organisations involved.

For example, our *Catering for patients* report was published in November 2006, after which Health Facilities Scotland asked for the data we collected in the course of the study to help it implement our recommendations. Our follow-up report on *Planning ward nursing* was published in January 2007 and highlighted how the Scottish Executive and NHS boards are addressing the recommendations made in our 2002 baseline report through the NHS's Nursing and Midwifery Workload and Workforce Planning Project. This project aims to improve the planning of the ward nursing workforce.

We proactively publish the results of our work and it is widely reported by the media. All of our reports are published on our website and in 2006/07, 46,700 copies of our reports and 3,711 podcasts were downloaded.

During 2006/07, we continued to measure the impact of our work. The following are just two examples of the ongoing impact of our publications.

Delayed discharges

In 2005, we published *Moving on? An overview of delayed discharges in Scotland*, which took a 'whole systems' approach to the issues surrounding delayed discharges, when a patient has to stay in hospital longer than necessary. This meant we looked across organisational boundaries when considering all the issues involved in delayed discharges.

The report made several recommendations to the Scottish Executive, NHS boards and councils. In August 2006, we looked at how some of our recommendations are being implemented and found:

- the Executive has changed the way it sets targets to make them fairer
- boards and councils are placing a greater emphasis on taking a whole systems approach
- boards and councils are adopting a wide range of delayed discharge initiatives
- such initiatives are being better evaluated, in line with our recommendations.

Maintaining Scotland's roads

While our 2004 *Maintaining Scotland's roads* report resulted in extensive media coverage, we reviewed it in 2006 to assess the impact it had. We found:

- the Executive has pledged another £60 million per year for three years to help councils tackle a road maintenance backlog

- the Society of Chief Officers in Transportation Scotland (SCOTS) has produced its own follow-up study based on Audit Scotland's audit of road maintenance
- SCOTS has bid for funding to create a national asset management framework
- twenty-six out of Scotland's 32 councils have cited the report as a catalyst for change in their road maintenance policies and procedures.

Sharing our knowledge with others

We seek to increase the impact of our work by contributing to external bodies and forums where we share the knowledge and expertise gathered during the course of our work. In 2006/07, Audit Scotland staff presented to more than 60 external seminars, conferences and training events, and served on around 50 external working groups. These ranged from a Social Work Inspection Agency event to a Chartered Institute of Housing conference on complaint handling, to a Services for Children working party. We remain committed to making the most of what we know and do, and will continue to find new ways to share our experience more widely.

In 2006/07, two Audit Scotland colleagues held senior positions in the Chartered Institute of Public Finance and Accountancy (CIPFA). Caroline Gardner, the Deputy Auditor General, was CIPFA President from May 2006, while Lynn Bradley, director of Audit, was chair of CIPFA in Scotland. Our director of Audit Strategy, Russell Frith, sits on several accounting policy and standards bodies, including the Treasury Steering Group on Government Accounting and the Financial Reporting Advisory Board.

Our involvement in external bodies and forums provides the opportunity for us to listen to the experiences of those managing, delivering and using public services. This helps us continue to focus on the issues that really matter to public services in Scotland.

Who we are

Audit Scotland's work is overseen by a board which meets around six times a year to consider plans and strategic direction.



Alastair MacNish



Robert W Black



Phil Taylor



John Baillie



Caroline Gardner

The board comprises:

Alastair MacNish
Chair, Accounts Commission

Robert W Black
Auditor General and Accountable Officer

Phil Taylor
Independent non-executive member

John Baillie
Member of Accounts Commission

Caroline Gardner
Deputy Auditor General and Controller of Audit

Bill Magee is Secretary to both the Accounts Commission and the Audit Scotland Board, and is also responsible for legal and procedural advice.

Governance and accountability to Parliament

Audit Scotland is held to account through statutory arrangements put in place by the Scotland Act 1998 and through the Public Finance and Accountability (Scotland) Act 2000. The Scottish Commission for Public Audit (SCPA) is central to these arrangements. The SCPA meets in public. It scrutinises our budget, annual report and accounts and appoints our external auditor, currently HW Chartered Accountants.

Audit Scotland's work is overseen by its board. The board has an audit committee which appoints our internal auditors and receives our annual accounts and internal audit reports. Our internal auditor for 2006/07 was Chiene and Tait.

The board also has a remuneration committee which sets and reviews the salaries of senior staff (excluding the Auditor General for Scotland whose salary is set by the Parliamentary Corporate Body) and the main terms and conditions for all staff.

Neither our internal or external auditors have any other professional relationships with us.

Caroline Gardner, Deputy Auditor General, on restructuring at Audit Scotland

"In late 2006, we changed the structure of Audit Scotland to bring the two largest business units, Audit Services and Public Reporting, under my management. The restructuring is a further step towards creating a more seamless service to our clients and stakeholders.

This new structure helps ensure we maximise our combined knowledge, skills and resources, and improves our risk management. This will allow us to communicate more clearly with clients and stakeholders and streamline the work we do with them."



Audit Scotland Management Team: (from left) Russell Frith, Diane McGiffen, Caroline Gardner and Robert W Black

The Audit Scotland Management Team

Robert W Black

Auditor General for Scotland and Accountable Officer

As Accountable Officer, Robert has overall responsibility for the efficient and effective running of Audit Scotland. He oversees all of our activities and is responsible for our performance in undertaking audits of Best Value in councils, carrying out performance studies of public services and overseeing the audits of around 200 organisations.

Caroline Gardner

Deputy Auditor General and Controller of Audit

Caroline manages the Audit Services Group and the Public Reporting Group.

The Audit Services Group carries out the audits of public sector bodies in Scotland. Caroline works with the audit services directors to support high standards of governance and accountability in public services, and to encourage performance improvements.

The Public Reporting Group carries out performance studies of public services and audits of Best Value in councils. They also produce overview reports on health, local government and central government policy areas, and investigate issues of public concern.

Russell Frith

Director of Audit Strategy

Russell is responsible for audit procurement, fees and income, auditing and accounting standards, technical support and quality assurance.

Diane McGiffen

Director of Corporate Services

Diane manages the development of Audit Scotland as an organisation. She leads on business planning and performance reporting and heads up the following services: human resources and organisation development, information services, finance, facilities management and communications.

Our sector teams

Local government

Director of Public Reporting **David Pia** reports on themes and issues within local authorities, police boards and fire boards. David's team also produces overview reports, performance studies and Best Value audits of local government.

Director of Audit Services **Lynn Bradley** manages the in-house audit service we provide to local authorities, police boards and fire boards, examining their individual performance. Her work includes financial statements, governance and performance management matters.

Health and central government

Director of Public Reporting **Barbara Hurst** is responsible for investigating issues of public concern, and producing overview reports and performance studies across the health and central government sectors.

Director of Audit Services **Gavin Stevenson***

is responsible for the in-house audit services we provide to the health and central government sectors, including the audit of financial statements, governance and performance management.

*Gavin Stevenson left Audit Scotland in May 2007.

Financial summary

Audit Scotland is required to produce accounts for each financial year detailing the resources acquired, held or disposed of during the year and the way in which they were used. The Auditor General, as Accountable Officer, is responsible for the preparation of these accounts.

A summary of income and expenditure

The task of auditing Scotland's public bodies has expanded greatly since 2000. In 2006/07, Audit Scotland spent £25 million on services for the Auditor General and the Accounts Commission; this is less than 0.1 per cent of the £29 billion spent by the bodies that are audited. The majority of these costs are recovered through charges to these organisations, with the balance received as direct funding from the Scottish Parliament.

Audit Scotland's accounts are independently audited on behalf of the Scottish Commission for Public Audit (SPCA), which appointed HW Chartered Accountants to carry out the audit.

Staff and members' costs

During the year, the average number of directly employed staff was 267 (279 in 2005/06).

The table below illustrates the salary bands for senior Audit Scotland staff.

The number of staff whose salaries were over £70,000 was 8 (9 in 2005/06)	Salary £000
Auditor General	135 - 140
Deputy Auditor General	120 - 125
Director of Audit Strategy	85 - 90
Director of Corporate Services	85 - 90
Director of Audit Services – Health and Central Government	80 - 85
Director of Audit Services – Local Government	80 - 85
Director of Public Reporting – Local Government	75 - 80
Director of Public Reporting – Health and Central Government	70 - 75

The Accounts Commission Chair and members were remunerated as follows:	Banding £000
Chair	25 – 30
Deputy chair	10 – 15
Commission members	0 – 10

Payments made during the year to the independent member of the Audit Scotland Board fell within the band £5,000 - £10,000.

The following section provides a summary of selected items from the accounts. To view the accounts in full visit the website www.audit-scotland.gov.uk

Analysis of expenditure

In 2006/07, 77 per cent of expenditure was spent on staff and fees to auditors. This compares with 79 per cent in the previous year.

Sources of income

Most income is from charges to audited bodies and can be broken down as shown in the table below.

Income	2006/07		2005/06 restated*	
	£000	% Total	£000	% Total
Fees paid by local authorities	11,425	61	12,792	65
Fees paid by health bodies	4,067	22	4,402	22
Fees paid by water bodies	230	1	169	1
Fees paid by further education colleges	600	3	553	3
Fees paid by Scottish Executive and sponsored bodies	1,591	8	1,590	8
Bank interest	147	1	145	1
Miscellaneous	248	1	190	1
Other finance income (pensions)**	554	3	(259)	-1
Total	18,862	100	19,582	100

* The 2005/06 amounts have been restated to reflect revised VAT arrangements for local government audits.

** Other finance income is comprised of income from expected return on the local government pension scheme assets less the interest payable on the scheme liabilities.

Other revenue funding	2006/07		2005/06	
	£000 required	£000 available	£000 required	£000 available
Direct funding from parliament	6,056	8,472	4,696	6,474

Expenditure	2006/07		2005/06 restated*	
	£000	% Total	£000	% Total
Staff and members' costs	13,599	55	13,586	56
Fees and expenses paid to appointed auditors	5,605	22	5,515	23
Buildings, rent and depreciation	1,782	7	1,770	7
Operating costs	3,932	16	3,407	14
Total	24,918	100	24,278	100

Appendix 1. Audit Scotland's performance indicators

Supporting effective democratic scrutiny	
Number of performance audit reports published, including Best Value and Statutory Performance Indicator reports	25 reports were published in 2006/07 (26 in 2005/06).
Response times for correspondence from members of the public concerning potential audit issues	<p>In 2006/07, 527 items of correspondence were received. This figure included 104 items about East Lothian Council and 180 items about the Glasgow Housing Association.</p> <p>97% of correspondence was acknowledged on time (95% 2005/06) and 90% was responded to in full within one month of being acknowledged (86% in 2005/06).</p> <p>After stripping out the 284 items of correspondence concerning the two organisations above, this still shows a 30% increase in correspondence on 2005/06.</p>
Building an effective and efficient organisation	
Percentage of invoices paid within 30 days	<p>We set a more challenging target for the payment of invoices in 2006/07. The target was to pay invoices within 30 days of the invoice date. We achieved 84% within the target time.</p> <p>Using previous methods of measurement our achievement would have been 93% for 2006/07 (96% in 2005/06).</p>
Sickness absence	<p>Sickness levels were, on average, 5 days per employee (compared with 4 days in 2005/06). This compares favourably with the average days lost per employee/annum in public services of 9.9 days.*</p> <p>*Source: <i>Absence Management Survey</i>, CIPD, July 2006.</p>
Staff turnover	<p>Staff turnover for 2006/07 was 8.5% (2.2% 2005/06). This is in line with average turnover rate of 8.1% in the public sector.*</p> <p>*Source: <i>Recruitment, Retention and Turnover Summary</i>, CIPD, 2006.</p>

Maximising the value of audit

Percentage of audits delivered against statutory or Accounts Commission timescale for each sector

99% of audits were completed on time (98% in 2005/06).

By sector:	2006/07	2005/06
Health	100%	100%
Central government	100%	100%
Further education	100%	100%
Local authorities	97%*	97%
Other LA audits	100%	94%

* The 3% shortfall represents only one council.

Percentage of audit plans submitted and fees agreed within specified timescale

96% of audit plans submitted to Audit Scotland within specified timescales (89% for 2005/06). 56% of fees agreed within specified timescales (60% for 2005/06).

Results of quality appraisal scheme

Six auditors were selected for a full quality appraisal visit and one was subject to a desk-based review. The conclusions were that the overall standard of work was satisfactory.

Appendix 2. Where we fit in

Audit Scotland

Audit Scotland exists to provide services to the Auditor General for Scotland and the Accounts Commission, allowing them in turn to provide assurance to the Scottish Parliament and ministers that public money is being spent appropriately.

Auditors report the detailed findings of audits directly to the bodies they audit. In 2006/07, we produced 195 final audit reports, which set out in detail the findings, conclusions and recommendations of the auditor. All of our reports are made public. Final audit reports are based on evidence and provide an opinion on public bodies' financial statements, performance and governance arrangements.

Audit Scotland also produces overview reports showing how different sectors perform during each financial year. We have recently extended our overview reporting to cover major policy areas, such as transport. In 2006/07, we published sector overviews of the NHS and local authorities.

We also produce reports that look at performance and value for money, either in an individual organisation

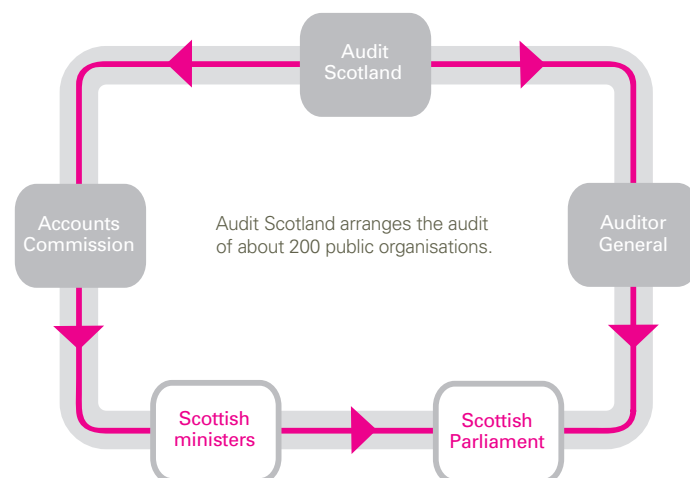
or across a sector or sectors. For more information on our performance reports, turn to Appendix 3 (Audit Scotland's public performance reports).

The Auditor General for Scotland

The Auditor General for Scotland (AGS) is a Crown appointment, made on the recommendation of the Scottish Parliament. It is an independent position and not subject to the control of the Scottish Executive or the Scottish Parliament.

The AGS is responsible for the audit of the Scottish Executive and most other public sector bodies, except for local authorities and fire and police boards. He also performs the comptroller function in Scotland, which involves him formally approving the release of funds from Westminster to the Scottish Executive.

The AGS reports to the Scottish Parliament on the proper, efficient and effective use of public funds. With the support of Audit Scotland, he also delivers a programme of performance audits to Parliament, after consultation with Parliament and other stakeholders.



The accountability process for reports to the AGS

The Auditor General can report to Parliament under Sections 22 and 23 of the Public Finance and Accountability Act (Scotland) 2000. After Audit Scotland prepares such a report for the Auditor General, he presents that report to Parliament and it is published.

The audit committee of the Scottish Parliament can then hold evidence sessions to explore the issues detailed in the Auditor General's report. Typically, the committee will question senior officials, including the relevant accountable officer, and can call ministers to give evidence.

Having taken evidence, the audit committee publishes its own report, with detailed recommendations aimed at ensuring lessons are learned. Where appropriate, the Scottish Executive responds to the audit committee report by publishing its response and action plan for each recommendation.

Other committees of the Scottish Parliament can and have used Audit Scotland reports in their work.

The Accounts Commission

Accounts Commission members are appointed by Scottish ministers following a public appointments process. The Commission is independent of local authorities and of the Scottish government. The Accounts Commission publishes its own annual report which is available at www.audit-scotland.gov.uk/accounts

The Commission is responsible for the audit of all local authorities and associated bodies (such as fire and police boards). It also supports improvement in local government and ensures councils are achieving best value. Each year, the Commission publishes information on how councils are performing against a number of indicators, which allows elected members and the public to compare performance within and across councils.

The Commission can make recommendations and reports to ministers. The Commission also has powers to take action against councillors and council officials if they break the law or if their negligence or misconduct leads to money being lost.

The accountability process for reports to the Accounts Commission

Local government reports, including Best Value audits, are prepared by Audit Scotland under the direction of the Deputy Auditor General, who acts as the Controller of Audit. Reports are presented to the Accounts Commission and published.

Having received a report from the Controller of Audit, the Accounts Commission can:

- report and make recommendations to the organisation being scrutinised
- hold a hearing
- report and make recommendations to Scottish ministers.

Working with scrutiny partners

Audit and inspection bodies must work effectively together to minimise the burden of scrutiny and maximise the value gained from all of our work. An independent audit function is a key element of the accountability framework in public services and helps maintain trust in public services, public servants and elected representatives.

Audit Scotland and other bodies put a significant amount of effort into working together to streamline our scrutiny of public services. We have agreed ways of working with our scrutiny partners, such as NHS Quality Improvement Scotland (NHS QIS) and the Scottish Public Services Ombudsman. These agreements set out each body's powers and responsibilities, and arrangements for joining up audit and review in public bodies where it is appropriate to do so.

We also have a track record of joint work with inspectorates and other bodies, such as joint inspections of education authorities with Her Majesty's Inspectorate of Education (HMIE), and joint studies with HMIE, Her Majesty's Inspectorate of Constabulary and NHS QIS.

Where possible, we also seek to reduce the scrutiny burden on public bodies and avoid duplication of effort by sharing data. For example, in 2006/07 our report *Catering for patients* used NHS QIS data on screening patients for risk of undernutrition.

Audit Scotland is in regular contact with the other public audit agencies in the UK: the National Audit Office, the Audit Commission, the Wales Audit Office and the Northern Ireland Audit Office. Audit Scotland takes a full part in the Public Audit Forum (PAF), a body formed by the agencies in the four UK nations and the Republic of Ireland, to provide a focus for: developing public audit, making public audit more efficient and effective, advising on common technical problems and sharing good practice.

During 2006/07, the Scottish Executive commissioned an independent review, led by Professor Lorne Crerar, of the country's scrutiny bodies. The review is looking at the arrangements for delivering audit, inspection, regulation and complaints handling in Scotland. Audit Scotland welcomes the review and has given evidence and support to it. The review is due to report in the summer of 2007.



Appendix 3. Audit Scotland's public performance reports

In 2006/07 we published the following reports:

Central Government (reports for the Auditor General)

Relocation of Scottish Executive Departments, agencies and NDPBs 21/09/2006

This report found that 28 public sector bodies had been, or would be, either relocated out of or established outside Edinburgh under the Scottish Executive's relocation policy. In most cases, it was not clear whether relocation would deliver the wider policy objectives. Little had been done to evaluate the impact of the policy, so it was difficult to determine whether relocations represented good value for money.

Scottish Executive: An overview of the performance of transport in Scotland 28/09/06

This was the first performance overview of a policy area. We reported that the Scottish Executive had performed well against most of its transport targets, but it needed to do more to provide a full picture of what was being achieved with the billions of pounds worth of investment going into transport. The report called for the Scottish Executive to improve its monitoring and reporting of what was being delivered.

Performance management in the Scottish Qualifications Authority 09/11/06

The report highlighted the progress made by the Scottish Qualifications Authority (SQA) since 2000, when problems in processing exam results led to incomplete and inaccurate results for 17,000 candidates. It found the SQA had successfully regained customer and stakeholder confidence. Its board and executives showed commitment and leadership in driving improvements and the authority had clear objectives.

The Efficient Government Initiative: A progress report

19/12/2006

In September 2006, the Executive reported that it had achieved £442 million in efficiency gains in 2005/06. This review focused on 12 of the major efficiency projects with a view to determining whether robust systems were in place to record and report the claimed savings. The report found there was commitment to improve efficiency but the Executive needs to do more to provide assurance on the levels of savings and their impact on service delivery.

Health (reports for the Auditor General)

Managing IT to deliver information in the NHS in Scotland

23/11/06

The report recommended that the Scottish Executive continue to improve the way it manages information technology to support care in the NHS in Scotland. Doing this involves a major cultural shift for the NHS in Scotland and will take time. In the past there has been a range of locally developed IT systems across Scotland and to get the most out of its investment, the NHS needs a clear national strategy. The Scottish Executive is working towards this.

Catering for patients: A follow-up report

30/11/06

This report followed up on progress made since Audit Scotland last investigated hospital catering in 2003. It found hospital catering services were improving, with patients having more choice and the NHS getting better at responding to their preferences. But NHS boards need to focus more on making sure patients get the nutritional care they need.

Appendix 3. Audit Scotland's public performance reports

Overview of the financial performance of the NHS in Scotland

14/12/06

This report looked at the financial performance of the NHS in Scotland in the financial year 2005/06 and the outlook for the future. It found that there were record levels of funding going into the health service and the NHS ended the year in surplus. However, the surplus was in capital budgets, not the day-to-day running of the health service, and strong long-term planning is needed as the service faced financial pressures.

Planning ward nursing – legacy or design? A follow-up report

25/01/07

Progress has been made towards improving the planning and management of ward nursing. Many of the recommendations made in an Audit Scotland report on ward nursing published in 2002 are being addressed. The NHS now needs to build on progress made and ensure it has the information needed to manage the workforce well. The use of bank and agency nurses also needs to be kept under review.

Local government (reports for the Accounts Commission)

The Audit of Best Value and Community Planning

The Highland Council

05/04/2006

Highland Council often delivered appropriate and effective solutions to residents' problems. But there were areas in which it must make improvements if it is to be in a position to deliver Best Value. In particular there was a need for stronger corporate direction.

Renfrewshire Council

06/07/2006

Renfrewshire Council's leadership was strong and effective, understood what needed to be done to deliver Best Value and was making good progress with this. However, there was still much to be done to improve service performance.

Comhairle nan Eilean Siar

17/08/2006

This report on Comhairle nan Eilean Siar cited a number of areas where the comhairle must improve. These include failing to plan for and to introduce Best Value processes and a lack of robust performance management arrangements. The report said the comhairle had strong community engagement, active and committed political leadership and effective financial stewardship, and faced particular geographical and historical problems.

East Ayrshire Council

06/09/2006

This report found East Ayrshire Council was committed to Best Value. It had effective leadership, performed well in a number of activities and could recognise areas for improvement and address them. The council needed to streamline its Best Value processes and ensure continuous improvement throughout its activities.

West Dunbartonshire Council

11/10/2006

This report found the council had made limited progress in Best Value and urgently needed to address its weaknesses. Its leadership was not respected and there was a lack of transparency in decision-making. Staff morale was poor and there were allegations of bullying. The Accounts Commission called a public hearing on the basis of this report.

Shetland Islands Council – progress report

18/01/07

Shetland Islands Council had made a start in addressing the issues raised in the Accounts Commission findings of March 2005. But the Commission remained concerned at the pace and extent of change in delivering improvements.

Inverclyde Council – progress report

20/02/07

The Commission said that Inverclyde Council was moving in the right direction, following its critical report in 2005, and that there was a clear commitment and enthusiasm to improve. Among the actions it had taken was to appoint a new chief executive, set up a new management structure and new political management arrangements, and appoint a corporate management team.

City of Edinburgh Council

27/02/07

The City of Edinburgh Council displayed many of the features of a Best Value council, including many examples of good service delivery. However, some services, such as refuse collection and the processing of planning applications, still needed to improve.

Scottish Borders Council

07/03/07

This report said Scottish Borders Council had made substantial progress in recent years and had done much of the groundwork needed to achieve Best Value. However, there remains a gap between its ambitions and its current performance.

Other Local Government

Overview of the local authority audits 2006

15/02/07

The Accounts Commission welcomed a general picture of improved performance by Scotland's local authorities, but it warned that major challenges lay ahead. The Commission pointed to possible changes following the local government elections in May 2007 and substantial financial pressures.

A review of service reform in Scottish fire and rescue authorities

01/03/07

This report said Scottish fire and rescue authorities were giving more emphasis to fire prevention and community safety, but it was too early to demonstrate a sustained reduction in risks from fire. New procedures had delivered efficiency savings and freed up staff for community fire safety activities. Authorities needed to do more to evaluate the impact of their community safety work to ensure they were making best use of resources.

Across-government reports (joint reports for the Auditor General and the Accounts Commission)

A mid-term report: A first stage review of the cost and implementation of the Teachers' Agreement

11/05/2006

The Teachers' Agreement brought benefits for the teaching profession, but the lack of performance measures made it difficult to assess the wider impact of the £2.15 billion investment. The report recommended that the Executive work with other parties to the Agreement to identify and report on a set of comprehensive performance measures.

No hiding place: The National Fraud Initiative in Scotland

17/05/2006

Audit Scotland facilitated a national detection exercise under which Scotland's councils worked with other public bodies to identify £15 million worth of fraud and errors. As a result, the bodies could now seek to recover about £6 million and prevent about £9 million in ongoing and future pension overpayments.

Community planning: An initial review

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 found that the complex remit of many partnerships made it difficult for them to achieve their aims, and called on the Executive to support community planning more effectively.

Public sector pension schemes in Scotland

20/06/2006

This report on the six main public sector pension schemes in Scotland found that the gap between current funding and the potential liability could be as high as £53 billion. The contributions from both employees and employers would almost certainly increase and there were likely to be demands on future public spending to meet these costs.



Appendix 3. Audit Scotland's public performance reports

Reports accompanying audited accounts to Parliament (Section 22 Reports)

Scottish Enterprise

Scottish Enterprise overspent by £33 million against its budget of £454 million in 2005/06.

Scottish Prison Service

The prison service has included a provision of £58 million for its possible liability for compensation and other costs for cases brought by prisoners over prison conditions. It also has a contingent liability of £27 million for other cases that may arise in connection with potential human rights breaches.

Argyll and Clyde Health Board

The board was dissolved at the end of the 2005/06 year, and the Scottish Executive cleared its £81.7m cumulative deficit. Its successor boards, Highland and Greater Glasgow, inherited an underlying £28.4 million recurring deficit.

Highland Health Board

The auditor's report was qualified due to a difference of view concerning the board's accounting treatment of two Private Finance Initiative (PFI) contracts.

Western Isles Health Board

The board incurred a deficit of £1.75 million in 2005/06, putting its cumulative debt at £2.48 million. The auditor also highlighted issues with the board's governance arrangements.

Lanarkshire Health Board

In 2005/06, the board made savings of £11.6 million on its revenue budget. But due to its previous deficit, its cumulative debt was £8.39 million at the end of the financial year.

Scottish Fisheries Protection Agency

Scottish Executive ministers cancelled the procurement of a new fishing boat after expert opinion considered the SFPA had breached EU procurement rules. There was a risk that unsuccessful tenderers could take legal action and the contract could have been cancelled.

Inverness College

The college incurred a deficit of £667,000 in the year to 31 July 2006, increasing its cumulative debt to £3.48 million.

James Watt College

The auditor questioned the college's ability to continue as a going concern after it incurred £3.87 million deficit in the year to 31 July 2006.

Other documents

Health and community care bulletin 30/05/2006

This was the first issue of a bulletin aimed at helping non-executive board members and elected representatives in their role of holding health boards to account and helping them to improve. It set out the national performance audit work done in the NHS and community care sector over the previous year and the key issues arising from that.

How the NHS works: Governance in Community Health Partnerships – Self Assessment Tool: Issues for non-executive board members 22/08/2006

Audit Scotland published a self-assessment tool aimed at supporting NHS boards and Community Health Partnerships (CHPs) develop and review the governance arrangements in CHPs. This document was to support that tool. It identified issues and questions for non-executive board members to consider about governance in CHPs and to assess themselves against.

Code of audit practice

The new Code continues a trend across the UK public sector for higher level statements of principles with less emphasis on detailed rules for auditors. The Code also emphasises the need for auditors to work in partnership with Audit Scotland and each other, and with regard to the work of other scrutiny bodies.

Audit Scotland and Accounts Commission Disability Equality Schemes 2006-09

The Disability Discrimination Act (DDA) 1995 has been amended by the DDA 2005 to place a duty on all public sector authorities to promote disability equality. These publications explain how Audit Scotland and the Accounts Commission will ensure that disabled people are treated fairly.

Audit Scotland Annual Report 2005/06

This report highlights the full range of Audit Scotland's work in 2005/06 and gives an insight into the breadth and depth of our activities across public services.

Accounts Commission Annual Report 2005/06

This report gives an account of the Accounts Commission's work in 2005/06 and highlights the main issues which have arisen.

Audit Scotland Corporate Plan 2007-10

Audit Scotland's Corporate Plan for 2007-10 builds on previous plans and sets out the activities that Audit Scotland will undertake in support of the Auditor General and the Accounts Commission.

Audit Scotland Corporate Plan 2006-09

Audit Scotland's Corporate Plan for 2006-09 builds on the 2005-08 plan and sets out the activities that Audit Scotland will undertake in support of the Auditor General and the Accounts Commission.

A Quick Guide to the Auditor General, Accounts Commission and Audit Scotland

This publication gives an overview of the relationships, roles and responsibilities of the principal public scrutiny bodies in Scotland.



Audit Scotland Annual Report 2006/07



Audit Scotland, 110 George Street, Edinburgh EH2 4LH
Tel: 0845 146 1010 Fax: 0845 146 1009
www.audit-scotland.gov.uk

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