

holding to account and helping to improve

summary

accounts  
commission  
annual  
report

2010 | 11

## Chair's message



Over the past year our work has covered a variety of areas. As well as our annual *Overview of local government in Scotland* report, we launched our *How Councils Work* series of reports.

We continued to lead the way in facilitating and coordinating the scrutiny of local government and oversaw the publication of the first National Scrutiny Plan for Local Government.

During the year, we developed our Best Value audits to make the approach more risk-based and proportionate and used the approach for the first time in the report on North Ayrshire Council.

We published two Best Value reports on police forces and police authorities, in partnership with HM Inspectorate of Constabulary for Scotland (HMICS) and carried out a consultation on assessing Best Value in fire services.

We published six performance audit reports including reports on maintaining Scotland's roads, the Edinburgh trams project and the cost of public sector pensions. All attracted significant attention.

The Accounts Commission's role is to hold local government to account on behalf of the public and to help it improve. We are keen to work with councils to give them the support they need to deal with the difficult times ahead. Our work over the past year reflects this and we will continue to both support and challenge councils as they look to improve services and outcomes for communities during 2011/12.

A handwritten signature in black ink, appearing to read 'John Baillie'.

**JOHN BAILLIE**  
Chair of Accounts Commission

## Financial Stewardship

In 2010/11, we arranged for the audit of 32 councils and 44 other local authority bodies. This involves the audit of the £20 billion. All annual audit reports were issued by the end of October as required. 'Clean' audit certificates were issued for all councils except Shetland Islands Council ([see case study](#)).

We also made findings on reports from the Controller of Audit on the management and control of travel expenses at Strathclyde Partnership for Transport and on the Caithness Heat and Power project run by the Highland Council.

In January, *An overview of local government in Scotland 2010* drew on the full range of local government audit work in 2010. Our findings recognised the significant challenges from reducing budgets and from growing demand for services and we welcomed the commitment shown by councils to improving financial planning and overall resource management.

### Case study: [Shetland Islands Council hearing](#)

The Commission decided to hold a hearing in public on the Shetland Islands after the council's annual accounts were qualified for the fourth consecutive year for excluding the results of the Shetland Charitable Trust from its group accounts and to consider other issues including the circumstances surrounding the appointment and departure of the chief executive.

More than 40 people gave evidence at the hearing in June 2010. In our findings we said that the council had serious problems with leadership, vision and strategic direction, governance, financial management and accountability. We said that the council needed to address these issues urgently by putting an improvement programme in place.

Since the hearing, a new interim chief executive has been appointed and the full council has met and agreed an improvement plan. As part of its findings, the Commission has requested a follow-up report by the Controller of Audit towards the end of 2011.

## Improving scrutiny



Over the past three years, the Commission has been working with Scotland's other scrutiny and inspection bodies to develop a more risk-based, proportionate and coordinated approach to scrutiny of local government.

In July, we published the *National Scrutiny Plan for Local Government 2010/11*, in which all the agencies jointly set out the strategic work that would be carried out in councils during the year.

By coordinating work and focusing on the key issues at each council, we have cut the time spent in councils by scrutiny and inspection bodies by 36 per cent compared with 2008.

Visits and inspections are generally quicker, more focused, and involve fewer inspectors. The activity within each council is more proportionate and risk-based than in the past.

Each local authority now has a clear picture of what will be happening during the year. For the first time, councillors and members of the public have a single document that shows an assessment of the main risks in their council and the proposed scrutiny response. This can be used by councillors in their own scrutiny role as they assess their council's progress.

## Best Value

We continued to develop our Best Value programme and in 2010/11 published reports and findings on four out of the five pathfinder audits.

After refining the process we published a report on North Ayrshire Council. The Best Value audit is now part of a more streamlined approach to scrutinising local authorities. In April 2010, we published a report on Northern Constabulary and Northern Joint Police Board in partnership with Her Majesty's Inspectorate of Constabulary for Scotland (HMICS).

After a consultation we agreed to carry-out targeted Best Value audit work in each of the eight fire and rescue services and produce a national overview report.

We published the first of the *How Councils Work* series, *Roles and working relationships: are you getting it right?* in August 2010. The report looked at the relationships between elected councillors and council officers. It found that councils have taken action to improve understanding of roles and responsibilities and the processes and systems that underpin good governance.

### Case study: Best Value evaluations

We asked Ipsos MORI to carry out assessments of the five Best Value pathfinder audits and two police Best Value pilot audits.

The pathfinder evaluation found that the new approach was generally welcomed by councils. However, there was room for improvement.

We have committed to working on each of these areas and outlined how the Commission and Audit Scotland intend to do this.

We publish police Best Value audit reports jointly with HMICS. The evaluation indicated strong support for the joint approach that has been adopted.

The feedback on areas where improvements could be made was useful and we asked Audit Scotland and HMICS to address the recommendations made.

## Performance Audit

The Accounts Commission has the power to conduct performance audits and report on how particular local government services are performing.

A total of six performance audit reports were published in 2010/11.

We published reports on *Maintaining Scotland's roads*; *The cost of public sector pensions*; *The Edinburgh trams project*; *Getting it right for children in residential care*; *Physical recreation services in local government* and *Improving energy efficiency*. These reports contained some strong messages for local authorities and in some cases their impact is already being felt ([see case study](#)).

This year we decided, together with the Auditor General, to adjust our approach to these types of reports to allow us to respond more flexibly to the rapid changes faced by public bodies.

We consulted widely on these proposals. We now have a list of priority audits which will be carried out in the coming year and a list of potential topics which we may audit in the future.

### Case study: [maximise our contribution to the improvement of public services](#)

*Getting it right for children in residential care* found over £250 million is spent a year but councils cannot show they achieve value for money. Professional practice and work is often good, but many children have major problems later in life.

The report contains 21 recommendations. It says £150,000 is spent a year per child and councils have to be sure they achieve quality services for the costs. It called for stronger government leadership and direction. There were 53 items of media coverage and the report was downloaded 5,713 times.

The Scottish Government welcomed the report. It has introduced a number of improvement initiatives and it is also considering using a costing model to identify the full costs of residential child care services to help councils make decisions.

## Performance Information

The Local Government Act 1992 requires the Commission to direct local government bodies to report information publicly about their performance. We do this through a set of Statutory Performance Indicators (SPIs).

We normally issue an SPI Direction to councils each December. The Direction we issued to apply in the financial year 2009/10 was a significant departure from previous ones. It reduced the number of specified SPIs and provided flexibility for councils to determine the specifics of what they report to the public in line with some general guidance provided in the Direction.

The SPI Data Compendium published in December provides all the data for Scotland's councils and fire and rescue services for the previous financial year. It allows examination of councils' progress against each indicator.

The most recent Compendium covers the 2009/10 financial year. Highlights include:

- Most councils have steadily increased the amount of council tax due and collected that was due within the year, with collection rates increasing from 94.3 to 94.4 per cent in 2009/10 (although ten councils experienced small reductions).
- The proportion of council buildings deemed to be in a satisfactory condition increased in the past year from 76.9 to 79.4 per cent.
- There was a significant deterioration in waste management, although this reflects increasing refuse collection costs as councils strive to increase waste recycling rates.

The SPIs are published on the Audit Scotland website, and feed into our other work, including the Best Value audits and the annual overview report. This allows them to be considered beside a range of other information like the annual audit reports and gives the public a more rounded picture of council performance.

## The Commission



The chair and members of the Commission are appointed by Scottish ministers following an open recruitment process. The Commission currently has 12 members. Two new members were appointed in 2010/11: Alan Campbell and Sandy Cumming.

Members are appointed for a period of three years, normally renewable for a further three-year period. In December 2010, two members were reappointed: John Baillie and James King. Biographies of all the members can be found on the Audit Scotland website.

## Governance

The Commission decided to hold its meetings in public from January 2011 to increase openness and transparency.

We normally meet monthly; agenda papers and meeting minutes are available on the Audit Scotland website.

During 2010/11, we appointed Fraser McKinlay, Director of Best Value and Scrutiny Improvement with Audit Scotland, as Controller of Audit. The Controller of Audit reports to the Commission on matters arising from the audit of the accounts of local authorities and on their performance on their Best Value and community planning duties.

As a result of governance changes under the Public Services Reform (Scotland) Act 2010, the chair of the Commission stepped down as the chair of the Audit Scotland board in January 2011. The Commission chair remains a member of the Audit Scotland board.

Along with other public bodies, the Commission now has a number of new duties under the Public Services Reform (Scotland) Act 2010.

We have outlined our work on these areas in our full annual report or on the Audit Scotland website.

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