

# Annual report

2022/23





# Who we are

**The Accounts Commission reports in public on how your council and other local government bodies are performing, helping improve the services we all use. We are independent from councils and the Scottish Government.**

We expect councils and other local government bodies to manage themselves and their money to deliver services that meet their legal duty of Best Value.

Our work includes:

- securing and acting upon the external audit of Scotland's councils, Integration Joint Boards (IJBs) and other joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits and related work to help councils and IJBs improve their services
- requiring councils to publish information to help the public assess their performance.

Best Value is a legal duty all councils in Scotland need to meet. Best Value ensures that councils deliver continuous improvement across all services and functions.

You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission).

The current members of the Commission are listed on [page 22](#).

# Contents

|                                   |           |
|-----------------------------------|-----------|
| Chair's foreword                  | <b>4</b>  |
| Our impact                        | <b>6</b>  |
| Reporting on individual bodies    | <b>10</b> |
| Local government overview reports | <b>11</b> |
| National reports                  | <b>14</b> |
| Our other work                    | <b>16</b> |
| Engaging with others              | <b>18</b> |
| Ensuring quality in our work      | <b>20</b> |
| Our members                       | <b>22</b> |
| Appendix 1                        | <b>23</b> |
| Appendix 2                        | <b>25</b> |
| Appendix 3                        | <b>27</b> |
| Appendix 4                        | <b>30</b> |

# Chair's foreword

## Local government is operating in the most challenging landscape we've ever seen.

Their finances are under severe strain, with cost pressures increasing and more of their funding being ringfenced. They have had to make significant savings to balance their budgets and are still facing difficult choices about spending priorities and service provision.

We reported in our [Local government in Scotland: Overview 2023 report](#) and [Financial Bulletin](#) that pressures are deepening after Covid-19, not easing. Costs are going up, demand is increasing, whilst councils are set to receive less money, in real terms, to run services.

These pressures are compounded by councils also having to focus on urgent issues such as tackling climate change, child poverty and increasing levels of inequality. These are all areas of focus for our reporting to the public.

Despite all these difficulties, action is also needed to radically rethink how councils can work differently, both to save money and maintain services. Councils must also involve communities in deciding how these services can best be delivered in the future.

Within this most challenging of situations, we are clear that urgent action is needed to agree the proposed New Deal between Scottish and Local Government. Further delays create a risk that councils will be unable to plan and deliver the radical change needed.

In this context, our work in providing independent assurance and scrutiny to communities, the Scottish Parliament and Scottish Government, is more important than ever. Throughout our reporting we highlight examples of good practice, identify areas of under-performance, highlighting how improvements can be made. Along with many of our reports and briefings we produce checklists to support councillors, as well as a series of [How councils work reports](#).

As a Commission we've also evolved over the last 12 months. We welcomed four new members in November 2022 – Malcolm Bell, Nichola Brown, Jennifer Henderson and Ruth MacLeod.

These appointments follow two long-standing Commission members standing down in September, and later this year three further members will leave, as their terms of office end. And our Chair, Dr William Moyes, resigned earlier this year.

We would like to thank them all for their significant contributions.

As a result of these departures, we're currently recruiting four new Commission members and a Chair, with appointments expected to be confirmed in the Autumn.

The Commission also welcomed a new Controller of Audit in January. Helena Gray now leads the reporting of issues from the audits of local government in Scotland to the Accounts Commission.

Our reporting has continued to develop over the last 12 months. We've held to our commitment to produce [a wider range of reporting](#) including blogs and briefings. We've also increased our engagement with key stakeholders. This includes several sessions giving evidence to parliamentary committees, attending roundtable sessions and holding events with the Improvement Service as part of [our strategic alliance](#).

We reached a significant milestone with the publication in September of the last in our current round of Best Value reports on councils. Looking ahead, we're integrating Best Value audit work into our annual financial audit work, whilst continuing with Best Value reports on each council over a five-year period. We're also developing thematic reporting, starting with a review of leadership across all councils followed by a report on workforce planning.

On behalf of all members of the Accounts Commission I would like to thank colleagues from across Audit Scotland, alongside staff from our appointed auditors, for their professionalism and ongoing commitment to supporting our work.

**Tim McKay**  
Deputy Chair of the Accounts Commission







# Our impact

**This year's reporting on Best Value showed progress councils have made against our four priorities. Both our annual audit work and Best Value reporting is helping deliver improvements across councils.**

## Progress against our priorities

**1.** In September 2021 we published our [Strategy for 2021-26](#), setting out our priorities for the next five years, alongside the principles used to shape our reporting. We will continue to use our statutory powers to shine a spotlight on inequalities, funding and the financial sustainability of local government, recovery from the pandemic and local government's relationship with its communities.

### Inequalities

What contribution local government makes to lessening the impact of inequalities, particularly poverty, on different communities.



We will report on the contribution and performance of local government services to those impacts, and in particular the critical role of health and social care services.

### Funding

The impact of funding on local government's ability to fulfil its role.



We will report upon the stability of funding and the financial sustainability of local government bodies.

### Recovery

What contribution local government makes to Scotland's response to, and recovery from, the pandemic.



We will report on how well local government is helping economic recovery and on how such recovery ensures social justice.

### Communities

The relationship between local government and its different communities.



We will track how local government is working with, empowering, and ensuring that communities help drive the planning of local public services. In doing so, we will report on how council partners, including community planning partners and the third and voluntary sector, help develop this relationship between public services and people.

2. We receive an Annual Assurance and Risks Report (AARR) from the Controller of Audit each year, reviewing the annual audit in all local government bodies. The AARR reports that audit work is providing good coverage of the Commission's priorities and emphasis on Best Value is helping to drive forward improvement. The information below outlines progress made by councils against our four priorities this year.

## Reporting against our priorities

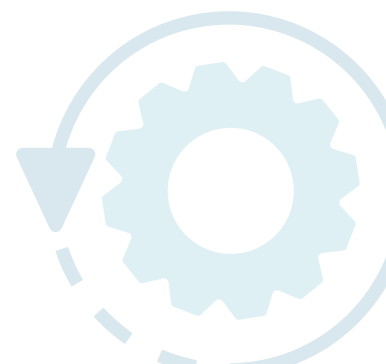
3. Our national reports ([Appendix 4, page 30](#)) and Local Government Overview (LGO) reports ([paragraphs 11–13](#)) published during 2022/23 provided extensive coverage and messaging in relation to the four priority areas set out in our Strategy. Details of these, split by priority, are shown below:

### Inequalities

#### What contribution local government makes to lessening the impact of inequalities, particularly poverty on different communities



- Our national reports on [Scotland's financial response to Covid-19](#), [Scotland's councils' approach to addressing climate change](#) and [Tackling child poverty](#) have all highlighted the deepening of existing health and social inequalities since the pandemic and the cost-of-living crisis. The future impacts of climate change will also be unequal, hitting the most vulnerable communities the hardest. Our reports call for local government and partners to act together to prevent inequalities worsening.
- The LGO reported that councils played a vital role in maintaining service delivery throughout the pandemic. However, the impact of the pandemic and service disruption has been felt most strongly by those already experiencing inequality. Councils have a responsibility to address inequalities and their financial plans and recovery strategies must be clearly aligned to this. Councils need improved data and evaluation to better understand the impact of the pandemic and service disruption in their communities, particularly the most vulnerable.



## Funding

### The impact of funding on local government's ability to fulfil its role



- Our national reports highlight the challenging and uncertain economic and fiscal context within which councils are operating. The increasing amount of ring-fenced and directed funding means that councils have less flexibility in how funding is used to meet local needs. These reports call for significant reform, including working together with partners and communities and innovation, to ensure the financial sustainability of council services. We stress that financial plans must align with policy commitments, such as those around climate change and reducing child poverty and inequalities. We have stressed how councils and integration authorities need to have a clear understanding of how one-off non-recurring Covid-19 funding has worked alongside the rest of their budgets and clear plans for the management of reserves. We call for better data to help improve transparency around funding gaps and plans.
- Our overviews noted that councils are operating in a difficult and uncertain context and face longer-term financial pressures, a lack of certainty and flexibility over long-term funding, and the prospect of major service reforms. Working together, in collaboration, is more important than ever. Councils will need to continue making year on year savings and increasingly difficult choices about spending priorities. Councils cannot continue to rely on money held in reserves, that's money put aside for emergencies or projects. They must focus on changing how services are delivered.

## Recovery

### What contribution local government makes to Scotland's response to, and recovery from, the pandemic



- Our report on [Scotland's financial response to Covid-19](#) highlighted that councils and integration authorities are often best placed to respond to local need and the measures to support recovery will vary.
- Our overview reports highlight that while councils have had to deal with the ongoing response to the pandemic, they have faced significant challenges in recovering services, with increased demand and backlogs. The ongoing costs associated with recovery from Covid-19 have increased financial pressures and there are ongoing pressures on the local government workforce. We have stressed that councils, together with their partners and communities, should revise their strategic plans to rethink their priorities and provide a way to deliver recovery and renewal, whilst elected members and senior managers need to work together to drive change, make decisions and deliver recovery and renewal.



## Communities

### The relationship between local government and its different communities



- Our national reports call for communities to be at the heart of decision-making to help ensure services are meeting local needs. The challenging financial context, including increased ring-fencing and directed funding, means service reform is essential. This means that, more than ever, councils need to consult, and have strong engagement with, communities and third sector. This will also help ensure resources go to where the need is greatest. Councils should build on the relationships developed through the pandemic.
- Our overviews note that the economic and financial context means councils are going to have to make difficult decisions about how and where they spend their money. The response to the pandemic showed what could be achieved by working closely with communities and the voluntary sector. Councils and their partners need to learn what made it work and harness this for future ways of working and reform. Our reports call for this momentum to be maintained by councils through strong engagement with their communities, creating more opportunities for more local participation, and involving communities in decision-making. Councils must also conduct impact assessments and consult the community about the continuation of changes made during the pandemic and any proposed future changes to services.

---

## Looking forward

### Best Value (BV) thematic work

**4.** The BV thematic work currently being planned and undertaken by auditors is an overview of the effectiveness of council leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022.

Auditors are required to report on:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

**5.** Auditors will report their findings in relation to the above questions within Annual Audit Reports.

**6.** From October 2023, the Controller of Audit will present to the Commission short s102 reports, alongside the council's most recent Annual Audit Report. Between October 2023 and August 2024, there will be eight reports on Falkirk, Moray, Clackmannanshire, Orkney Islands, South Ayrshire, Dumfries and Galloway, West Dunbartonshire and Dundee City councils.



# Reporting on individual bodies

## We published Best Value reports on three councils during 2022/23

### Best Value Assurance Reports (BVARs)

**7.** Councils have a duty to demonstrate Best Value – essentially continuous improvement in how they deliver services and use public money. Over the past six years the Commission has received a BVAR on all 32 councils.

**8.** The Commission has agreed that from 2022/23, Best Value will be assessed through the annual audit on each council. This will be complemented by thematic work relating to Best Value. The approach will be informed by the Controller of Audit's Annual Assurance and Risks Report that highlights key risks facing local government. The Commission considers this report every March.

**9.** In our final year of Best Value reporting, we reported on three individual councils (Angus, Shetland and Comhairle nan Eilean Siar councils), continuing to monitor progress against previous Best Value reports through our annual audits of councils. Headline messages from this year's BVARs are outlined in [Appendix 3 \(page 27\)](#).

**10.** Each report is formally considered by the council. Commission members meet councillors and senior staff to discuss the report. Any actions coming from the recommendations in the report will be followed up in the annual audit report or a follow-up report if appropriate.



# Local government overview reports

**Last year we published a shorter, sharper financial bulletin to help inform councils' budget setting. This supported our wider Local Government Overview published in Spring. Through these reports, we looked ahead to longer-term impacts on the finances for councils as well as the economy, communities and public services.**

**11.** In January 2022, we published our Local Government in Scotland [Financial Bulletin 2021/22](#), which provided an analysis of the financial performance of councils, as well as their position at the end of the year. It also set out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending Review and the cost-of-living crisis. We highlighted how councils are facing significant financial pressures, including uncertainty and a lack of flexibility, the need for better medium- and longer-term planning, alongside strong leadership and effective collaboration with partners is essential.

**12.** We reported that:

- Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms).

- Excluding Covid-19 related funding, revenue funding and income saw a £0.5 billion (or three per cent) real-terms increase in 2021/22 on the previous year, from £19.3 billion to £19.8 billion.
- Capital spending across Scotland increased by £0.7 billion in 2021/22, from £2.4 billion in 2020/21 to £3.1 billion but this is still below spending in 2019/20 which was £3.6 billion.
- An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. Ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding (18 per cent in 2020/21). This removes local discretion and flexibility.
- Despite additional Covid-19 funding, councils continued to face significant financial challenges and difficult choices about spending. Significant savings were required to deliver balanced budgets.
- Improvements to savings performance continued and total usable reserves increased, which are being used to meet budget gaps.
- Scottish Government revenue funding to councils increased by 5.3 per cent in real terms, the first real-terms increase on the 2013/14 revenue funding position since 2015/16 (excluding one-off Covid-19 money).
- Capital projects are being influenced by Covid-19 and inflationary costs. If this continues, they will present risks to capital programmes that are designed to contribute to improving outcomes for communities.
- We also commented on the outlook for local government finances, highlighting that councils face the most difficult budget-setting context for many years. Against a backdrop of Covid-19, inflation and the cost-of-living crisis and increased demand for some services councils need to make recurring savings and face difficult spending choices. The use of non-recurring reserves to bridge a £0.4 billion funding gap in 2022/23 is unsustainable, creating an urgent need for service reform.

**13.** In May 2022, we published our second in a series of Local Government in Scotland overview reports exploring the impact of the pandemic on councils and their communities. The [Local Government Overview 2022](#) report made clear that councils need to build on the change and innovation that took place during the pandemic. A return to old ways of working is not sustainable and will not help the most vulnerable within our communities. We reported that:

- Councils had a difficult year responding to and recovering from the pandemic, as well as dealing with increased demands, backlogs and being able to meet community needs.
- Collaborative leadership is more important than ever, especially given the challenging context and longer-term financial pressures. Effective strategic thinking, decision-making and collaborative working amongst local government leaders is essential to support recovery and improve outcomes.



- There is continued pressure on the local government workforce, with high levels of absence, skills shortages and concerns about staff wellbeing. Workforce plans need to be updated to reflect lessons learned from new ways of working during the pandemic.
- Those already experiencing inequality have felt the impact of the pandemic most strongly, with services still not back to pre-pandemic levels. Recovery and renewal plans must support those most affected.
- Communities and the voluntary sector worked closely in the pandemic showing what can be achieved by working together with this remaining part of recovery plans.
- Data availability, tools and skills need to improve to support performance monitoring, strategic decision-making and service planning, as well tackling inequality.

**Excluding Covid-19 related funding, revenue funding and income saw a £0.5 billion real-terms increase in 2021/22**



**£19.3**  
billion



**£19.8**  
billion

**Capital spending across Scotland increased by £0.7 billion in 2021/22**



**£2.4**  
billion



**£3.1**  
billion





# National reports

## **We published six reports on national thematic issues and eight blogs highlighting specific areas of interest for the Commission.**

**14.** Our national reports, published in 2022/23 included one full national performance audit report, a joint publication with the Auditor General for Scotland. We also published two briefing papers, one jointly with the Auditor General for Scotland, summarising key issues affecting local government.

**15.** We promote messages from our work widely to the public and relevant parties across the public sector. [Appendix 4, page 30](#) summarises the headline messages from our publications.

**16.** Alongside our reporting during 2022/23, we published eight blogs to support discussion, raise awareness and support improvement.

- [Our Strategic Alliance - one year on](#), May 2022. The then Chair of the Accounts Commission produced a joint blog with the Chief Executive of the Improvement Service highlighting the impact of their focus on accelerating improvement and change across local government and shared commitment to increasing collaboration.
- [Additional support for learning - the gap between ambition and reality for our children](#), May 2022. Commission member Stephen Moore blogged about how children and young people and their families are not always getting the right type of support, when they need it, and so intensifying inequalities. The blog called for public services to improve how they are joining up to meet individuals' needs.

- [Local bodies continue to face a challenging and uncertain future](#), June 2022. The then Chair, William Moyes, blogged about the continuing challenges and uncertain future faced by local authorities and Joint Integration Boards. It focused on inequalities and the need for innovation and transformation in service delivery to ensure sustainability, as well strong leadership around the difficult decisions that need to be made.
- [Inequalities in Scotland: A growing crisis of harms](#), June 2022. Commission member Geraldine Wooley blogged about the deepening of inequalities in Scotland, potential further restrictions to services to those in most need and the need for better data gaps to enable the growing crisis of harm to be addressed.
- [Why Best Value matters, now more than ever](#), November 2022. The then Chair, William Moyes, outlined why in the current context of financial pressures and spending constraints it is essential that councils secure best value in procurement and can demonstrate they are securing and delivering best value.
- [Assurance and scrutiny - reporting on the vital role of Scotland's housing benefit services](#), February 2023. The then Chair, William Moyes, blogged about the vital role benefits services play in the lives of those in financial need, highlighting the Accounts Commissions' reports on housing benefit services, the impact of Covid-19 on wider council benefits' services and resourcing the benefit services.
- In March 2023, Audit Scotland's Executive Director of Performance Audit and Best Value produced a blog updating the position in relation to our 2021 report on [Improving outcomes for young people through school education](#). This showed how data gaps have acted as a barrier to improving young people's outcomes. The blog – [Encouraging progress on education data but still a long way to go](#) – highlighted that lots of work is now being done at a national and local level to address these gaps (for example, through councils working with Education Scotland and sharing of good practice and learning between councils) but that further progress is required.
- [Learning the lessons of Covid-19 has never been more important](#), March 2023. Commission member Sheila Gunn blogged about the crucial role councils played during the pandemic and called for councils to evaluate the impact of how Covid-19 funding was spent, what worked well and what might be done differently in the future crises. The blog also highlighted the significant financial challenges facing local government and the need for radical thinking to ensure the delivery of sustainable services.





# Our other work

**Throughout the year we undertook other work to maximise our responsibilities. Audit Scotland also published a series of briefing papers and blogs that support our programme of work.**

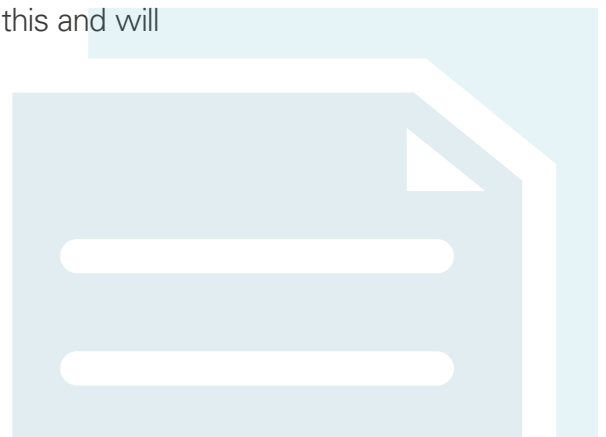
## **Statutory reporting**

**17.** There were no statutory reports published during 2022/23.

## **Statutory performance information (SPI): our Direction**

**18.** We have a statutory power to tell councils what performance information they must publish. This helps councils compare their performance and benchmarking. The Commission uses the power to emphasise the prime importance of councils reporting performance to their citizens and communities. Our [2021 SPI Direction](#), published in December 2021, requires councils to report on their performance in improving local services and local outcomes for the three years from 1 April 2022.

**19.** The Controller of Audit's Annual Assurance and Risks Report, considered by the Commission in March 2023, noted that one auditor failed to comply with the Code of Audit Practice and did not report on SPI compliance for two councils. However, the auditor has now begun work to rectify this and will enhance the clarity of reporting in this area for future years.



## Coordinating local government scrutiny

**20.** During 2022/23 we continued to chair the [Strategic Scrutiny Group \(SSG\)](#), helping ensure coordination of the scrutiny of local government. This comprises Audit Scotland, the Care Inspectorate, Education Scotland, HM Fire Service Inspectorate, Healthcare Improvement Scotland, HM Inspectorate of Constabulary for Scotland, HM Inspectorate of Prisons for Scotland, Inspectorate of Prosecution in Scotland, and the Scottish Housing Regulator.

**21.** In November 2022, the SSG agreed to the Accounts Commission's proposal to extend the remit and membership of the SSG to form a wider public sector scrutiny network (the Strategic Public Sector Scrutiny Network (SPSSN)) while retaining the operational group, renamed the Scrutiny Coordination Group, to more accurately reflect its focus.

**22.** The new SPSSN agreed to meet on a six-monthly basis with a rotating chair each meeting. The first meeting will be hosted and chaired by Audit Scotland in September 2023.







# Engaging with others

**We are always looking at new ways to promote our work and involve the public, communities, and our local government stakeholders in what we do.**

## Reporting to and engaging with the public

**23.** We are promoting the messages in our reports more widely using different formats, including using animations, videos, exhibits, graphics and newsletters to accompany individual reports. We also produce web-based, service user focused outputs, blogs, briefings and news releases. [Social media](#) is critical in getting these messages to a wider audience. Our [Strategy for 2021-26](#) gives more information on how we promote our work.

**24.** We used checklists and key facts or technical exhibits to highlight our messages. All our BVARs and overview reports had accompanying newsletters that were distributed to councillors, senior officers, community groups and third sector organisations.

**25.** We have embraced opportunities to do things differently. For example, the Best Value Assurance Report: Comhairle nan Eilean Siar (November 2022) was the first report we have published with the report and all supporting materials produced bilingually, in both English and Gaelic.

**26.** We engaged with contacts in the Scottish Government's Gaelic language team and at Bòrd na Gàidhlig to check our approach. The response to this was overwhelmingly positive.

**27.** A further example of engaging differently came when Jennifer Henderson, member of the Accounts Commission, recorded a video to support and promote International Women's Day to Audit Scotland colleagues. Her video focused on her own family's history, the changes in how women are impacted



in the workplace over several generations. This was supplemented by an external video from colleagues in Audit Scotland linking this to our work, focusing on why, organisationally, it is important to support International Women's Day.

## Engaging with our other stakeholders

**28.** Since January 2023, the Controller of Audit has undertaken wide ranging engagement with council Chief Executives and Directors of Finance, as well as with COSLA and SOLACE as part of regular meetings.

**29.** We have engaged with the Parliament during 2022/23, including through giving evidence at the Local Government, Housing and Planning Committee on the LGO and financial bulletin, as well as a 'roundtable' session on community engagement.

**30.** We have also attended events with stakeholders, including co-hosting an event with the Improvement Service to highlight key messages from the LGO for elected members.

**31.** We issue a regular newsletter focused on local government key contacts and a reworked version of the newsletter focused on communities. The stats from the March 2023 newsletter show:

- **Councillor newsletter** – 4,607 active contacts, 1,174 confirmed opens (25 per cent), 528 click throughs.
- **Stakeholder newsletter** – 112 active contacts, 55 per cent open rate.

## Reflecting stakeholder views in our work

**32.** During April and May 2023, we consulted with a range of stakeholders on our work programme. This included council chief executives, chief officers of IJBs, trades unions and third sector representatives.

**33.** The Commission is considering the consultation responses and will use these to inform a strategic review of the work programme at its meeting in August 2023. The revised dynamic work programme will be agreed jointly with the Auditor General for Scotland.

### Councillor newsletter



**4,607** active contacts  
**25%** open rate

### Stakeholder newsletter



**112** active contacts  
**55%** open rate

# Ensuring quality in our work

**Independent quality reviews report a clear indication that high-quality standards are being achieved in both financial and performance audit work. However, further work is required in some areas to ensure that all audit work consistently meets the high standards expected by the Accounts Commission.**

**34.** All audit work undertaken on our behalf is subject to independent quality review. Our Audit Quality and Appointments (AQA) team, which is part of Audit Scotland but operates independently, reports to us on the quality of audit work delivered by Audit Scotland and by the private accountancy firms we appoint to undertake some of our annual audit work.

**35.** Each year a report ([Quality of public audit in Scotland \(QPAS\)](#)) is published on the review outcomes. We endorsed this report which is due to be published in June 2023. This year's report continues to identify good practice and areas to improve in audit quality. Conclusions include:

- The Audit quality framework (AQF) identifies good practice and areas to improve in audit quality, but with areas of improvement that are recurring and have been carried forward from prior years.
- Based on this range of evidence, the AQA team concludes that the quality of audit work is:
  - Good in performance audit work based on the independent quality reviews conducted by the Institute of Chartered Accounts of England and Wales (ICAEW). Internal quality reviews of performance audit work conducted by Audit Scotland's in-house audit quality team indicate that there is need for all performance audit work to consistently comply with the INTOSAI standards.
  - Consistently good over the last four years in the accountancy firms carrying out public sector audit work in Scotland based on the independent ICAEW quality reviews and the internal quality reviews of financial audits.

- Good in Audit Scotland’s Audit Services Group (ASG) for 2021/22 financial audit work based on the ICAEW’s independent quality reviews and Audit Scotland’s internal quality reviews. There are some areas where ICAEW have recommended improvements that can be made to ASG’s audit methodology and the application of the audit methodology by audit teams. These areas include: the need to conduct more audit work where ASG act as the group auditor of audit bodies which have significant component entities; continue to improve ASG’s methodology and documentation around audit sampling to ensure that it complies with best practice in the audit profession, as well as several improvements required to the audit approach on asset valuations, particularly around demonstrating more challenge around the underlying assumptions. Some of these are recurring issues from prior years and action is required on these to maintain the 80 per cent target in coming years.
- The independent quality reviews provide a clear indication that high quality standards are being achieved in both financial audit work and PABV audit work. Further work is required in some areas to ensure that all the audit work consistently meets the high standards expected by the Auditor General for Scotland and the Accounts Commission.

**36.** Areas for improvement identified in the QPAS report include:

- A further significant decline in financial audit delivery performance with only 51 per cent of annual audits being delivered on time (76 per cent in 2020/21)
- Audit Scotland staff survey results show a decline to 2017/18 levels for staff being supported to deliver high-quality audit work through training and development.
- Increasing evidence of a shortage of skilled and qualified audit staff available in the auditing profession and this capacity risk will need to be managed carefully.

**37.** We will continue to work with our audit providers to optimise the quality of the audit work that we secure, to help ensure that we fulfil our responsibilities around public assurance and improvement.





# Our members

The Accounts Commission members are appointed by Scottish ministers. The Commission meets monthly, and its meetings are open to the public.



**Dr William Moyes<sup>1</sup>**

**Chair**

Appointed until  
31 December  
2025



**Tim McKay**

**Deputy Chair**

Appointed until  
30 September  
2023



**Andrew Burns**

Appointed until  
31 July  
2026



**Andrew Cowie**

Appointed until  
31 July  
2026



**Dr Sophie Flemig**

Appointed until  
30 September  
2023



**Sheila Gunn**

Appointed until  
30 September  
2023



**Christine Lester**

Appointed until  
31 December  
2026



**Malcolm Bell**

Appointed until  
31 October  
2026



**Jennifer Henderson**

Appointed until  
31 October  
2026



**Geraldine Wooley**

Appointed until  
30 September  
2023



**Nichola Brown**

Appointed until  
31 October  
2026



**Ruth MacLeod**

Appointed until  
31 October  
2026

<sup>1</sup> Previous chair, Dr William Moyes, resigned May 2023.

# Appendix 1

## 2022/23 work programme: progress report

Here we report on our progress with our 2022/23 work programme, including publications and associated engagement activities.

### Key to progress:





**Complete:** This action has been completed.



**Complete and continuing:** While an action has been completed, it continues as part of further ongoing activity.






**Continuing:** This action has started but will require further input from the Commission.

| Audit activity  | Publications  | Progress and engagement   |
|---|---|---|
| <p><u><a href="#">Annual audit reports</a></u></p>               | <p>Published on our website for:</p> <ul style="list-style-type: none"> <li>• 32 councils</li> <li>• 30 Integration Joint Boards</li> <li>• 11 pension funds</li> <li>• 31 joint boards and joint committees</li> </ul>                     | <p><b>Complete (March 2023)</b></p> <p>Published on our website. Auditors have presented annual audit reports to each council.</p>  |
| <p><u><a href="#">Local government overview reports</a></u></p>  | <ul style="list-style-type: none"> <li>• <u><a href="#">Local government in Scotland: Overview 2022</a></u> (May 2022)</li> <li>• <u><a href="#">Local government in Scotland: Financial bulletin 2021/22</a></u> (January 2023)</li> </ul> | <p><b>Complete (March 2023)</b></p> <p>Published on our website with:</p> <ul style="list-style-type: none"> <li>• News release</li> <li>• Video</li> <li>• Key facts animation</li> <li>• Key facts exhibit</li> <li>• Interactive graphics</li> <li>• Supplements and checklists.</li> </ul> <p>Reports were also promoted on social media.</p> |



Cont.





| Audit activity  | Publications  | Progress and engagement  |
|---|---|--|
| <p><b><u>Best Value Assurance Reports</u></b></p>  | <p>Published for three councils:</p> <ul style="list-style-type: none"> <li>• <a href="#"><u>Angus Council</u></a></li> <li>• <a href="#"><u>Shetland Islands Council</u></a></li> <li>• <a href="#"><u>Comhairle nan Eilean Siar</u></a></li> </ul>  | <p><b>Complete and continuing</b></p> <p>Published on our website with:</p> <ul style="list-style-type: none"> <li>• News release</li> <li>• Key facts exhibit</li> <li>• Video highlights</li> <li>• Newsletter issued to local community bodies.</li> </ul> <p>Reports were also promoted on social media.</p> |
| <p><b><u>Other products</u></b></p>                | <ul style="list-style-type: none"> <li>• <a href="#"><u>Scotland's financial response to Covid-19</u></a></li> <li>• <a href="#"><u>Integration Joint Boards: Financial analysis 2020/21</u></a></li> <li>• <a href="#"><u>Scotland's councils' approach to addressing climate change</u></a></li> <li>• <a href="#"><u>Tackling child poverty</u></a></li> <li>• <a href="#"><u>Public sector gender pay gap reporting</u></a></li> <li>• <a href="#"><u>Resourcing the benefit service: A thematic study</u></a></li> </ul> | <p><b>Complete</b></p> <p>Published on our website alongside other outputs, including:</p> <ul style="list-style-type: none"> <li>• News release</li> <li>• Key facts</li> <li>• Video animation</li> <li>• Good practice guides.</li> </ul> <p>Reports were also promoted on social media.</p>                  |
| <p><b><u>Statutory reports</u></b></p>           | <p>No statutory reports were published during 2022/23.</p>  | <p><b>Not applicable</b></p>   |

# Appendix 2

## Progress by councils in 2022/23 against the Accounts Commission's strategic priorities (as reported in the AARR)

| Priority area  | Key findings  |
|--|---|
| <p><b>Inequalities:</b><br/>the contribution local government makes to lessening the impact of inequalities, particularly poverty, across different communities</p>  | <ul style="list-style-type: none"> <li>• Councils are demonstrating their commitment to fairness and equality through strategic planning, stated equalities outcomes and employee awareness training.</li> <li>• Councils responded quickly to address the impacts of Covid-19, working with local partners to support vulnerable people. Increased use of digital technology improved access to services for many.</li> <li>• Equalities, and increasingly fairness, is considered part of councils' decision-making, with evidence of engagement with harder to reach communities.</li> <li>• Councils are addressing the <a href="#">gender pay gap</a>; outstanding equal pay claims remain an issue in some councils.</li> </ul>   |
| <p><b>Funding and financial sustainability:</b><br/>the impact of funding on local government's ability to fulfil its role</p>                                      | <ul style="list-style-type: none"> <li>• The circumstances in which councils are setting their budget is challenging - councils are managing with less money (a 1.3 per cent real terms increase in money). A significant amount of their money has to be used for education and social care services.</li> <li>• Medium-term financial planning is in place in most councils. Long-term planning is less well developed.</li> <li>• Underspends in 2020/21 arose due to additional Covid-19 funding and reduced spending. Some councils anticipate overspends in 2022/23 and future budget gaps.</li> <li>• More than half of IJBs project funding shortfalls in the medium term.</li> <li>• Councils need to implement change, re-prioritise services, and identify recurring savings. Pressures on services and council reserves continue.</li> <li>• Effective and regular financial reporting with changes to budgets being regularly reported to councillors, executive teams and management.</li> <li>• Most councils saw delays to their capital programmes resulting from Covid, price inflation and supply issues. Unspent capital funding will be moved into 2022/23.</li> <li>• Funding reductions have had a disproportionate impact on services not receiving directed funding, eg leisure, libraries, and refuse.</li> </ul> |

| Priority area   | Key findings  |
|---|---|
| <p><b>Communities:</b><br/>the relationship between local government and its different communities</p>                             | <ul style="list-style-type: none"> <li>• Councils with <a href="#">Best Value Assurance Reports</a> (BVARs) in 2022 worked well with partners and communities to respond to Covid-19. This sped up practice in areas including online services and community hubs, but the impact of such initiatives on shaping future practice is not clear.</li> <li>• Covid-19 interrupted community involvement in many councils; councils are now re-visiting their engagement activity as they update their strategic priorities.</li> <li>• Councils have more to do to fulfil the ambitions of the Community Empowerment Act and to demonstrate progress.</li> <li>• Councils plan to increase their use of community decision-making over use of resources, eg participatory budgeting (PB).</li> <li>• Community wealth building is becoming an increasing focus for local economic initiatives to support communities.</li> </ul> |
| <p><b>Recovery:</b><br/>what contribution local government makes to Scotland's response to, and recovery from, the pandemic</p>  | <ul style="list-style-type: none"> <li>• Covid-19 interrupted strategic planning in many councils. However, there are now clearer priorities, including in education and in relation to poverty.</li> <li>• The pandemic sped up improved practice and collaboration. Councils and their partners now need to build on this good progress.</li> <li>• Stable and effective leadership is vital to recovery. Councils and IJBs face challenges in managing workforce capacity and changing political leadership.</li> <li>• Councils face difficult decisions over service priorities as they plan further recovery with limited resources. Collaboration and involving communities are increasingly important as councils look to adopt new ways of working.</li> </ul>   |

Source: Annual Assurance and Risks Report, Controller of Audit. Endorsed by the Commission at its meeting in March 2023



# Appendix 3

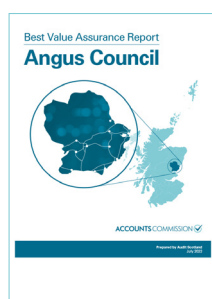
## Summary of Commission findings and recommendations for BVARs published in 2022/23

### Council

### Commission's findings and recommendations from 2022/23 BVARs

#### Angus Council

(July 2022)



- We are pleased with the impressive pace of improvement demonstrated by Angus Council since our previous Best Value reports in 2016 and 2010.
- There has been strong leadership by elected members, working well with each other and in partnership with officers. We urge this leadership – supported by effective decision-making and scrutiny – is maintained to face the significant financial challenges ahead and the continuing need to make difficult decisions about service delivery.
- The council needs to put its performance management framework fully in place and introduce its vitally important long-term financial planning framework.
- We commend the council in how it has continued to serve the people of Angus well in the face of the pandemic, not least its focus on tackling the exacerbating effect on inequalities experienced in communities. A strong record of collaboration with its partners, including progress with locality planning, is a good basis for the council to engage more fully with its communities, which it identifies as needing to develop.
- We also urge continued attention on those areas requiring improvement, including housing and the council plan priority of economy.

**In September 2022, the council considered and accepted the BVAR, its recommendations and approved an action plan. Progress will be monitored through the annual audit.**

#### Shetland Islands Council

(August 2022)



- We are seriously concerned about the council's inability to demonstrate Best Value and we are not confident that the council is able to show it is financially sustainable.
- Our concern is particularly around the absence of a clear plan to eliminate the forecast funding gap over the next five years, which could be as large as £142 million; reliance on drawing down reserves, which could be exhausted within ten years, to achieve a balanced; weaknesses in, and slow progress in remedying, performance management arrangements and the lack of urgency being given to service transformation.
- Elected members need to provide leadership and be more closely involved in developing plans to remedy criticisms in the report. Options need to be articulated clearly in a timed and costed plan linked to its Change Programme. Better arrangements for managing and reporting performance are a vital element for progress to be made.

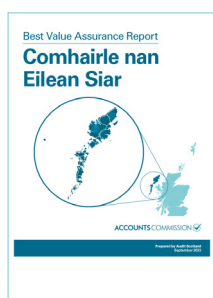
**Cont.**

**Council****Commission's findings and recommendations from 2022/23 BVARs****Shetland  
Islands Council**

(August 2022)

- Shetland has distinct and significant challenges around geography, population decline and lack of affordable housing. We commend the clear vision of the council and its partners who work well together to address such challenges. They responded well to the challenges of the pandemic. The council is also able to demonstrate that it can be innovative in how it provides and invests in some services, including through working well with its partners. But such innovation needs to become more embedded in the corporate drive to deliver the required strategic change.
- We acknowledge that the people of Shetland enjoy generally high-quality services provided by the council with good levels of customer satisfaction. While there are good examples of engaging with communities, it needs to be more consistent.
- The Commission encourage the council to develop and publish an action plan to enable it to tackle issues in the most appropriate order and timescales and to provide a baseline against which it can assess and demonstrate its progress.
- We also encourage the council to consider if it might be appropriate to seek external help to ensure optimum capacity in planning and delivering its action plan.
- The progress required by Shetland Islands Council is urgent and we require the Controller of Audit to report back to us within 18 months.

**The BVAR was considered by the Council in November 2022, together with an action plan in response to the improvement recommendations. The annual audit will include an update on the progress made by the council.**

**Comhairle nan  
Eilean Siar  
(CnES)**(September  
2022)

- It is disappointing that CnES has not maintained the positive momentum and improvement previously reported.
- We are seriously concerned that we need to again underline the crucial need for elected members to fulfil their leadership responsibilities in providing clear coherent strategic priorities and direction and thus deliver planned savings and improvements.
- We emphasise the need for members to be supported in their responsibilities by effective training and development, including on their equalities obligations.
- We underline the urgent need for CnES to progress an effective approach to medium- and long-term financial and capital planning, to help meet the challenges ahead. We note, however, the persistent difficulties in ensuring capacity in its financial management function. Updated workforce plans are vital in helping address the wider capacity issues.
- We acknowledge the distinct challenges faced by CnES and its partners in improving outcomes for the people of the Outer Hebrides, such as depopulation, housing availability and fuel poverty. We credit the Comhairle in working well with partners and its performance in areas such as education and supporting the economy.

**Cont.**



**Council****Comhairle nan  
Eilean Siar  
(CnES)**

(September  
2022)

**Commission's findings and recommendations from 2022/23 BVARs**

- We commend the good relationship that CnES fosters with its communities, shown in an effective response to the pandemic. This is a good basis for delivering the required future changes in how services are delivered and thus delivering an ambitious vision for the future.
- We urge CnES to develop and publish a prioritised and timetabled action plan to enable it to make progress against the areas identified in our report and we require the Controller of Audit to report back to us to provide assurance is being delivered.

**In September 2022, CnES welcomed the Best Value Assurance Report which highlights that there continue to be challenges going forward. The Comhairle accepts the recommendations and committed to implementing an action plan. The annual audit will include an update on the progress made by the council against this action plan.**



# Appendix 4

A summary of our national, thematic reports published in 2022/23

| Report   | Summary  |
|--|--|
|  <p><b>Scotland's financial response to Covid-19</b><br/>June 2022<br/>Joint report with the Auditor General</p> | <p>Our performance audit report outlines the fiscal context in which the public sector has been operating since March 2020 and provides a high-level analysis of the financial response to the Covid-19 pandemic.</p>  |
|  <p><b>Integration Joint Boards: Financial analysis 2020/21</b><br/>June 2022</p>                               | <p>Our first standalone report focused on an analysis of the financial position and performance of IJBs. The report provides a high-level analysis of the IJBs financial performance and financial position at the end of the year. It comments on the financial outlook for IJBs and financial planning in the medium and longer term.</p>  |
|  <p><b>Scotland's councils' approach to addressing climate change</b><br/>September 2022</p>                    | <p>Our briefing highlights councils' critical role in helping Scotland achieve its climate change goals and how climate change must be central to council activity. It calls for a system-wide approach to allow transformational change and for collaboration across all parts of government. The briefing recommends a range of actions that councils can take to improve their response to the climate emergency.</p> |
|  <p><b>Tackling child poverty</b><br/>September 2022<br/>Joint briefing with the Auditor General</p>            | <p>This briefing paper examines what the Scottish Government, local government and others are doing to reduce and prevent child poverty and progress being made towards targets for reducing child poverty. It examines spending on child poverty since 2018, highlighting the impact of child poverty on children's lives.</p>  |

Cont.

## Report

## Summary

Public sector  
gender pay gap  
reporting



### **Public sector gender pay gap reporting**

February 2023

Joint report with Audit Scotland

The report resulted from concerns around gender pay gap reporting identified through our annual audit work. It explains what the gender pay gap is, why it is important for public bodies and what information they should be reporting. It examines gender pay gap information from a sample of 20 public bodies, highlighting areas of good practice and providing suggestions for improvement.

Resourcing the  
benefit service

A thematic study



ACCOUNTS COMMISSION

### **Resourcing the benefit service: A thematic study**

February 2023

There have been significant changes to councils' benefits services in the last decade. Our thematic report highlights and provides wider context on the impact on service delivery and performance levels. It focuses on resourcing, work of the benefit service and processing of Housing Benefit claims.



# Annual report

2022/23

The Accounts Commission's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit: [www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

For the latest news follow us on social media or [subscribe to our email alerts](#).



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

ISBN 978 1 915839 17 6