

Academic paper

The Accounts Commission as an agent of public sector accountability

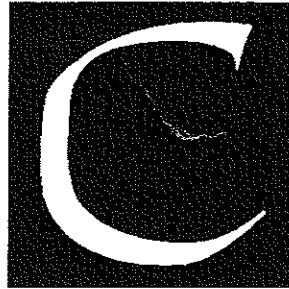
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OF PUBLIC SECTOR ACCOUNTABILITY

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Abstract

The Accounts Commission secures the statutory external audit of all local government and NHS bodies in Scotland. This paper provides a summary of the findings of a survey of all these bodies which was conducted in December 1998. The purpose of the survey was to identify the strengths and weaknesses in the different aspects of the Accounts Commission's role from the perspective of the audited bodies. The findings point to three main areas of concern: various issues surrounding value for money audit at both local and central levels; relative negativity towards the Commission's role from the NHS respondents (as compared to local government respondents) which may stem from resentment over the increased cost of audit; and apparent confusion over who is the principal client of the various types of audit.

Keywords

Accounts Commission for Scotland
Value for Money
Probity Audit
National Health Service

Public Sector Audit
Regularity Audit
Local Government

Introduction

This report provides a summary of the initial findings of a survey which was conducted in December 1998. The survey covered all 133 of the bodies for which the Accounts Commission for Scotland secures the statutory external audit (32 councils, 34 joint boards, 15 health boards, 46 NHS Trusts and 6 other NHS bodies) and was conducted as part of empirical research for a PhD thesis entitled 'The Accounts Commission as an Agent of Public Sector Accountability'. The majority of academics that mention the Accounts Commission in their work, only go as far as outlining its statutory duties, e.g. Hepworth (1984), BATTERY and SIMPSON (1989), and MONIES (1996). A few conduct more in-depth discussions of certain aspects of the Commission's remit, e.g. HIMS WORTH (1995), MIDWINTER (1994), MIDWINTER and MONAGHAN (1993). However, only one publication has been wholly dedicated to the role of the Accounts Commission; a Centre for Urban and Regional Research discussion paper from 1986. Additionally, in this area, no substantive empirical work has ever been carried out. Thus, it is concluded that there is a marked lack of in-depth, up-to-date academic scrutiny of the role of the Accounts Commission for Scotland.

The purpose of this thesis as a whole, is to go some way towards filling this gap by establishing the extent to which the Accounts Commission enhances the accountability of local government and the NHS in Scotland. To do this, a two-dimensional theoretical framework has been designed to analyse the effect the Commission has had on the accountability of the bodies it audits. This framework draws on the work of Stewart (1984), Marshall (1986), Stanyer (1974) and Sherer and Kent (1988). The function of this survey within the thesis as a whole is to identify the strengths and weaknesses of the Accounts Commission's role from the perspective of the audited bodies. These will be investigated in more detail in the next stage of the empirical research which will involve a number of interviews with key players in the audit process. Together, the quantitative findings from the survey and the qualitative findings from the interviews, will enable conclusions to be drawn on the extent to which the Accounts Commission has enhanced accountability and will allow recommendations for change to be made in any areas of the Commission's work where, it is judged, the mechanisms of accountability operated could be improved.

Two questionnaires were designed for the survey - one for local government bodies and one for NHS bodies. Both questionnaires were similar in content except for the inclusion in the local government questionnaire of questions taking into account the Commission's long involvement in local government, thus allowing for a comparison to be made between past and present. Consequently, to avoid confusion, throughout this report, the statements to which only those in local government bodies were asked to respond will be marked * whilst statements to which only those in NHS bodies were asked to respond will be marked with **. Non-starred questions were asked of both local government and NHS bodies. In the first instance, the appropriate questionnaire was directed to the Director of Finance or equivalent in each organisation. In total, sixty-three completed questionnaires were returned, giving an encouraging overall response rate of 47% (a response rate which was the same for both local government and NHS bodies).

Both questionnaires were split into seven main sections: information about the respondent; the local auditors; the national role of the Accounts Commission; perceptions of the Commission; perceived clients of the audit; accountability issues and the Commission; and

free-response questions. Five of these sections required the respondents to indicate their extent of agreement or disagreement with various statements given, i.e. whether they strongly disagreed, slightly disagreed, were neutral, slightly agreed, strongly agreed or deemed the statement not applicable. For these sections, the respective percentages of the respondents' extent of agreement to each statement will be set out in tabular format along with what will be the principal figure for comparison, the 'net percentage' figure. The net percentage figure, a calculation adapted from the Butler Review of the Audit Commission (1995: 7), is the difference between the percentage of respondents who agreed with the statement and the percentage of those who disagreed. A positive percentage indicates that the majority agreed, a negative percentage shows that the majority disagreed. For example, 87% of respondents agreed with the statement 'Local auditors typically have the required skills, qualifications and experience to be effective in fulfilling their role' (54% strongly agreeing and 33% slightly agreeing) whilst 8% disagreed (2% strongly disagreeing and 6% slightly disagreeing). Thus, the net percentage is +79% (87% minus 8%). Those who were neutral or filled in the N/A (not applicable or don't know) box have been excluded from the calculations, although in some cases they were a significant proportion of the total. It should be noted that for those statements to which there was a significant differentiation between local government and NHS net percentages, both will be provided. Also, the net percentage method is not applicable to the section which asks the respondents to rank in order of importance who they perceive to be the clients of the audit and to the section summarising the responses to the free-response questions.

In accordance with the questionnaire, this report is split into seven sections. For each of the quantitative sections, the results will be presented in tabular format and will be accompanied by a short narrative, whilst the free-response (qualitative) section will be summarised fully in narrative.

1 - Information about the Respondents

This section briefly identifies a number of the key characteristics of the respondents: the type of body they represent; whether their organisation is audited by auditors directly employed by the Commission or by those working for a private accountancy firm; their position within their organisation; and the number of years contact they have had with the work of the Commission. The purpose of this is to enable more in-depth comparisons to be made. For example, the responses by those in local government may be compared with those in the NHS or, for responses to questions concerning local auditors, a comparison may be made between those bodies whose auditors are directly employed by the Accounts Commission and those whose auditors are employed by a private firm of accountants.

1.1: Type of Audited Body

Table 1 sets out the different types of audited body from which the responses to the questionnaires were received. The percentages in brackets refer to the percentage of that specific type of audited body in the whole population (where population is the total number of bodies the Accounts Commission has the responsibility for auditing). Overall, the percentage of questionnaires returned from each specific type of audited body is fairly closely in accord with the number in the population as a whole. Thus, it can be concluded that the responses represent the population as a whole.

Table 1: Type of Audited Body

Local Government Bodies	% ¹	(%) ²	NHS Bodies	% ¹	(%) ²
Unitary Authorities	27%	(24%)	NHS Trusts	33%	(35%)
Joint Boards (Police, Fire and Valuation)	11%	(17%)	Health Boards	13%	(11%)
Joint Boards (Miscellaneous)	11%	(9%)	Other NHS Bodies	5%	(5%)
Local Government	49%	(50%)	National Health Service	51%	(50%)

¹ Number of responses from each type of audited body as a percentage of the total number of responses (63)

² Number of each type of audited body as a percentage of the total number of bodies the Commission is responsible for auditing (133)

1.2: The Respondents' Local Auditors

Table 2 sets out the percentage of respondents whose organisations are audited by auditors directly employed by the Accounts Commission and those who are employed by a private accountancy firm appointed by the Accounts Commission. As the split is supposed to be roughly 50/50, then it must be assumed that, in this respect, the respondents are also representative.

Table 2: The Local Auditors of the Respondents

LOCAL AUDITORS:	%
Directly employed by the Accounts Commission	49.2
Employed by a private accountancy firm	50.8

1.3: Respondents' Positions Within Their Organisations

As Table 3 suggests, the bulk of respondents (58%) were Directors of Finance (or equivalent), to whom the questionnaires were sent. Most other respondents were either Depute or Assistant Directors of Finance or Chief or Senior Accountants.

Table 3: Respondents' Positions within their Organisations

Position	% of Respondents
Director of Finance/Treasurer	58%
Depute/Assistant Director of Finance	19%
Chief/Senior Accountant	18%
Senior Manager	3%
Chairperson of Audit Committee	2%

1.4: Respondents' Contact with the Work of the Accounts Commission

All respondents had been in contact with the work of the Commission for varying time periods ranging from one year to twenty-five years (the duration of the Commission's lifetime). It should be noted that although 43% of respondents are shown in Table 4 to have been in contact with the work of the Commission for four years or less, this figure includes all NHS bodies due to the fact that the Commission only took over the NHS audit in 1995.

Table 4: Respondents' Contact with the Work of the Accounts Commission

Number of Years Contact	% of Respondents
1-4 years	43%
5-9 years	23%
10-15 years	13%
16-23 years	5%
Throughout the lifetime of the Commission (24/25 years)	16%

2 - Local Auditors

This section considers the opinion of all respondents on their current local auditors (i.e. their external auditors) and summarises all local government responses to statements concerning their local auditors in the past.

Table 5: Respondents' Opinion on Current Local Auditors

STATEMENT IN QUESTIONNAIRE ¹	EXTENT OF AGREEMENT						
	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree	N/A	Net %
Local auditors typically have the required skills, qualifications and experience to be effective in fulfilling their role.	2%	6%	5%	54%	33%	—	+79%
Local auditors are effective at helping this organisation achieve high standards of regularity and probity.	2%	8%	9%	52%	29%	—	+71%
Local auditors are willing to informally advise this body on the interpretation of accounting practice.	3%	3%	13%	43%	38%	—	+75%
It is <u>not</u> appropriate for local auditors to assist audited bodies in the interpretation of accounting practice.	73%	16%	8%	—	3%	—	-86%
Local auditors are effective at helping this organisation achieve economy, efficiency and effectiveness. <i>Local government</i> <i>NHS</i> <i>Directly employed</i> <i>Private Firm</i>	5%	13%	40%	43%	—	—	+25% +38% +12% +48% +3%
* Local auditors are effective at helping this organisation make the necessary arrangements for collecting and publishing the performance information prescribed by the Accounts Commission.	—	3%	39%	42%	16%	—	+55%
* Local work carried out by auditors on management arrangements in this organisation is effective.	—	10%	32%	48%	7%	3%	+45%
A good relationship exists between this organisation and the local auditors.	—	2%	5%	27%	67%	—	+92%
Local auditors' role in securing regularity and probity detrimentally affects their relationship with the bodies they audit.	54%	29%	8%	6%	3%	—	-74%
For local value for money work to be optimally effective, a good relationship has to exist between the local auditors and the bodies they audit.	—	2%	11%	33%	54%	—	+85%

¹ These statements were put to both local government and NHS respondents except * - local government respondents only

2.1: Respondents' Opinion on Current Local Auditors

Table 5 sets out respondents' feelings on the local auditors presently assigned to the bodies they represent. Most respondents agreed that their current local auditors typically had the required skills, qualifications and experience to be effective (+79%). There was also widespread agreement on the efficacy of local auditors in their regularity and probity role (+71%); a figure which compared favourably to the efficacy of local auditors in their value for money role. To the statement, 'Local auditors are effective at helping this organisation achieve economy, efficiency and effectiveness', there was only net positive agreement of 25%, with 40% of respondents indicating neutrality. Interestingly, this was the only statement in this section to which there was a major difference between local government and NHS responses, and between responses from those whose auditors were directly employed by the Accounts Commission and those whose auditors were employed by a private accountancy firm. Whilst from NHS respondents there was only net positive agreement of 12% to local auditors being effective in their value for money role, their local government counterparts demonstrated somewhat more confidence in the ability of auditors in this area (+38%), although this could not be described as emphatic. The more negative responses from those in the NHS could be related to misgivings regarding the NHS-specific knowledge and experience of the auditors. This was mentioned by a number of respondents in the free-response section. There was an even more marked difference in opinion to this statement between those audited bodies with auditors directly employed by the Commission (+48%) and those with auditors employed by private firms (+3%), the main reason for this figure being the presence of a large neutral element.

It is apparent that, in the main, a very good relationship exists between the audited bodies and the local auditors (+92% of respondents were of this opinion, the largest net positive agreement in the whole survey). In accord with this, there was widespread disagreement (-74%) to the statement, 'Local auditors' role in securing regularity and probity detrimentally affects their relationship with the bodies they audit'. The existence of a good relationship between the auditor and the audited body is important for a number of reasons, one of which is that it is one of many elements needed for local value for money work to be optimally effective (+85% of respondents were in agreement with this).

2.2: Respondents' Opinion on Past Local Auditors (LG only)

Only the local government questionnaire asked respondents to comment on their past local auditors. This is because NHS bodies have only experienced the work of their current auditors as the Accounts Commission was only given the responsibility for securing the NHS external audit in 1995. There were two identical sections, one applicable to **auditors directly employed by the Accounts Commission** (the responses to which are shown in bold in Table 6), and one applicable to *auditors employed by private accountancy firms* (the responses to which are shown in italics in Table 6).

For all statements, past auditors directly employed by the Accounts Commission appear in a more favourable light. This occurs to the greatest degree in the responses to the statement, 'Throughout the years, local auditors have typically had the required skills, qualifications and experience to be effective in fulfilling their role', where, for Accounts Commission auditors there was net positive agreement of 84%, and for private firm auditors, net disagreement of 7%. It is useful to compare these with the figures on the skills, qualifications and experience of current local auditors; figures which are virtually the same for both types of auditors (Accounts Commission, +80%, Private Firms, +78%). Thus, it can be concluded that private firms have vastly improved in this respect, whilst

Accounts Commission auditors have retained the same high level. Indeed, this was the case for the three other statements, i.e. in the past, the results indicate that directly employed auditors were deemed 'better' than private firm auditors and, when compared with opinion in December 1998, improvements were perceived in all. There was net positive agreement of 62% to the statement 'Local auditors have always been effective at helping local government achieve high standards of regularity and probity' for directly employed auditors as compared to net positive agreement of only 19% for private firm auditors. This compares with figures for current local auditors of +74% and +68% respectively, which again denote a vast improvement for private firm auditors in particular. The case was the same for a similar statement regarding VFM work, although the extent of agreement was far less (for past private firm auditors it was net disagreement of -26% improving for current private firm auditors to net positive agreement of only +3%).

Table 6: Respondents' Opinion on Past Local Auditors (LG only)

STATEMENT IN QUESTIONNAIRE ¹	EXTENT OF AGREEMENT ²						
	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree	N/A	Net %
* Throughout the years, local auditors have typically had the required skills, qualifications and experience to be effective in fulfilling their role.	—	3%	7%	55%	32%	3%	+84%
	17%	20%	20%	17%	13%	13%	-7%
* Local auditors have always been effective at helping local government achieve high standards of regularity and probity.	3%	3%	23%	55%	13%	3%	+62%
	13%	10%	20%	40%	4%	13%	+19%
* Ever since the Accounts Commission embarked upon VFM work, local auditors have been effective at helping local government achieve high standards of economy, efficiency and effectiveness.	—	13%	39%	42%	3%	3%	+32%
	13%	23%	40%	10%	—	13%	-26%
* Generally, the relationship existing between the local government bodies with which I have worked and their respective auditors has been good.	—	3%	13%	61%	20%	3%	+78%
	10%	—	13%	54%	10%	13%	+54%

¹ All statements in this table are marked * indicating that they were put to local government respondents only

² Responses referring to auditors directly employed by the Accounts Commission are in bold and responses referring to auditors employed by private accountancy firms are in *italics*

3 - The National Role of the Accounts Commission

This section is concerned with opinion on the national role of the Accounts Commission, i.e. the work of the central Commission based in Edinburgh. Respondents were asked to indicate their extent of agreement with statements concerning the Commission 'at present' (which was December 1998, when the questionnaires were completed) and in the past. As was the case for local auditors, the past questions were only incorporated in the local government questionnaire.

Table 7: Respondents' Opinion on the Accounts Commission – December 1998

STATEMENT IN QUESTIONNAIRE ¹	EXTENT OF AGREEMENT						
	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree	N/A	Net %
The Accounts Commission typically has the required skills and qualifications to be effective. <i>Local government</i> <i>NHS</i>	2%	6%	35%	38%	19%	—	+49% +61% +37%
** The Accounts Commission has the required competence and skills to be effective more so in its regularity and probity role than in its VFM role.	3%	6%	12%	38%	38%	3%	+67%
The Accounts Commission is effective at ensuring a satisfactory level of consistency across all the individual audits (both Accounts Commission and private firms) <i>Local government</i> <i>NHS</i>	5%	17%	38%	24%	5%	11%	+7% -4% +16%
The Accounts Commission is effective at helping this organisation achieve high standards of regularity and probity. <i>Local government</i> <i>NHS</i>	2%	9%	30%	46%	11%	2%	+46% +65% +28%
In general, guidance issued by the Accounts Commission in the area of accounting practice is timely.	6%	22%	34%	27%	11%	—	+10%
The Accounts Commission has the required strength of regularity and probity powers to be effective.	—	5%	17%	38%	38%	2%	+71%
* The system of surcharge is an effective deterrent to members and officers in Unitary Authorities.	13%	13%	9%	55%	10%	—	+39%
The Accounts Commission is effective at helping this organisation achieve economy, efficiency and effectiveness. <i>Local government</i> <i>NHS</i>	8%	21%	30%	38%	2%	2%	+11% +48% -25%
The Accounts Commission has the required strength of VFM powers to be effective. <i>Local government</i> <i>NHS</i>	5%	21%	27%	38%	9%	—	+21% +55% -10%
** The Accounts Commission should have powers to enforce the implementation of VFM recommendations.	44%	28%	12%	13%	3%	—	-56%

¹ These statements were put to both local government and NHS respondents except * - local government respondents only, ** - NHS respondents only.

3.1: Respondents' Opinion on the Accounts Commission - December 1998

From *Table 7*, it can be seen that, overall, there is consensus (+49%) that the Accounts Commission has the required skills and qualifications to be effective. However, when a differentiation is made between local government and NHS respondents, it becomes evident, in what appears to be a typical pattern, that the Commission is held in higher regard by local government than by the NHS. This could be because local government has had time (24 years) to become accustomed to the presence of the Accounts Commission in comparison with the NHS (4 years). In this section, the only statement to which local government respondents were more critical than those from the NHS, concerns the effectiveness of the Commission at ensuring a satisfactory level of consistency across all the individual audits, where, for local government there was net disagreement of 4% and for the NHS there was net agreement of 16%. As to whether the Accounts Commission is effective in its core regularity and probity role, there was overall net positive agreement of 46%. However, local government respondents were considerably more agreeable (+65%) than their NHS counterparts (+28%). The difference of opinion between local government and NHS respondents was even more pronounced when they were asked to indicate their extent of agreement with the statement, 'The Accounts Commission is effective at helping this organisation achieve economy, efficiency and effectiveness'. To this statement there was net positive agreement of 48% from local government respondents and net disagreement of 25% from NHS respondents. This lack of confidence by NHS respondents in the Commission's value for money role could be related to misgivings regarding the NHS-specific knowledge and experience of the Accounts Commission staff, and to the perceived lack of use of experts, e.g. clinicians, in VFM studies.

Indeed, concern about the Commission's VFM role was very evident from a number of the responses, particularly so from those in NHS bodies. From *Table 8*, it can be seen that overall, there was lukewarm agreement that the topics for VFM studies are important and of relevance (+30%), with NHS respondents again exhibiting more negativity (+16% as opposed to the +42% of local government). There was even less agreement as to whether the respective organisations benefit from VFM studies (+20%) with local government respondents indicating positive net agreement of 32% as opposed to the 6% disagreement indicated by NHS respondents. If the attitude towards the Commission's role in VFM is lukewarm then the attitude towards its role regarding statutory performance indicators (local government only) can only be described as cold. There was 0% net agreement (i.e. the same percentage disagreed as agreed) to the statement 'In general, Citizen's Charter performance indicators developed by the Accounts Commission are valid and reliable'. Additionally, as to whether they provide an accurate reflection of the performance of local government, there was net disagreement of 37%. On a more positive note, there was net positive agreement of 68% that the relationship between the central Commission and the audited bodies was good. However, this is not as fervent as the relationship enjoyed between the local auditors and the audited bodies, although this could be explained by the lower level of contact experienced between audited bodies and the central Commission.

Table 8: Respondents' Opinion on the Accounts Commission – December 1998 (ctd)

STATEMENT IN QUESTIONNAIRE	EXTENT OF AGREEMENT						
	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree	N/A	Net %
The topics selected for national VFM studies (which apply to this organisation) are generally relevant and important. <i>Local government</i> <i>NHS</i>	8%	10%	33%	43%	3%	3%	+30% +42% +16%
This organisation benefits from the national VFM studies done by the Accounts Commission. <i>Local government</i> <i>NHS</i>	11%	10%	43%	29%	5%	3%	+20% +32% -6%
* In general, the Citizen's Charter Performance Indicators developed by the Accounts Commission are valid and reliable.	10%	29%	19%	39%	—	3%	0%
* The Citizen's Charter performance information published by the Accounts Commission provides the public with an accurate reflection of the performance of this organisation.	23%	36%	16%	19%	3%	3%	-37%
* Management arrangement modules produced by the Accounts Commission are effective at assisting this organisation improve its performance.	6%	7%	26%	55%	3%	3%	+45%
The relationship between this organisation and the Accounts Commission is good. <i>Local government</i> <i>NHS</i>	—	9%	11%	48%	29%	3%	+68% +74% +60%
The dual roles of the Accounts Commission can, at times be in conflict with one another.	6%	13%	29%	47%	—	5%	+28%

¹ These statements were put to both local government and NHS respondents except * - local government respondents only

3.2: Respondents' Opinion on the Accounts Commission in the PAST (LG only)

Because the statements set out in *Table 9* refer to respondents' opinion on the Accounts Commission in the past, as with all other 'past' statements, they were only asked of those in local government. Taken as a whole, the responses demonstrate that, when compared with the responses for December 1998 (for these refer to *Table 7* and *Table 8*), the Commission has improved in every respect. Significantly less respondents in the past, in comparison to December 1998, were of the opinion that the competence and skills of the Commission were adequate to be effective (past +32%, 1998 +61%). A similar scenario is evident with regard to opinion on the efficacy of the Commission's regularity and probity role (past +25%, 1998 +65%) and even in opinion on the effectiveness of its VFM role (past +10%, 1998 +48%). Furthermore, the respondents are of the opinion that the

topics selected for VFM Studies have also improved in relevance and importance (past +12%, 1998 +42%). Similarly, the benefit to local government from VFM studies has been perceived to improve (past -24%, 1998 +32%). Finally, when comparing the responses to the relationship existing between the audited body and the Commission in the past with those for December 1998, it is found that they are exactly the same (+74%). Interestingly, this good relationship has remained constant throughout the years; years which have seen many changes to the Accounts Commission's statutory remit.

Table 9: Respondents' Opinion on the Accounts Commission in the Past (LG only)

STATEMENT IN QUESTIONNAIRE ¹	EXTENT OF AGREEMENT						
	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree	N/A	Net %
* During its lifetime, the Accounts Commission has typically had the required competence and skills to be effective.	-	16%	36%	29%	19%	-	+32%
* The Accounts Commission has always been effective at helping local government achieve high standards of regularity and probity.	-	20%	35%	35%	10%	-	+25%
* Ever since the Accounts Commission embarked upon VFM work, it has been effective at helping local government achieve economy, efficiency and effectiveness.	-	29%	32%	39%	-	-	+10%
* The topics selected for national VFM studies (which apply to local government) have always been generally relevant and important.	10%	10%	45%	29%	3%	3%	+12%
* In general, local government has always benefited from value for money studies done by the Accounts Commission.	10%	36%	29%	19%	3%	3%	-24%
* Generally, the relationship existing between the local government bodies with which I have worked and the Accounts Commission has been good.	-	3%	20%	61%	16%	-	+74%

¹ All statements in this table are marked * indicating that they were put to local government respondents only

4 – Respondents' Perceptions of the Accounts Commission

Table 10 sets out the extent to which all the respondents agreed with various words provided in the questionnaire as being their perception of the Accounts Commission in December 1998. For words to which there was a significant differentiation between local government and NHS responses, a breakdown of the respective net percentages is provided. Local government respondents were asked to fill in an identical section referring to their perceptions of the Commission in the past. These responses are set out in Table 11 and will be examined in conjunction with Table 10.

Table 10: Respondents' Perceptions of the Accounts Commission – December 1998

STATEMENT IN QUESTIONNAIRE	EXTENT OF AGREEMENT						
	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree	N/A	Net %
RESPECTED Local Government NHS	-	10%	17%	41%	32%	-	+63% +67% +59%
VALUED Local government NHS	2%	16%	21%	49%	13%	-	+44% +61% +28%
HIGH PROFILE Local government NHS	-	14%	22%	51%	13%	-	+50% +74% +25%
FAIR Local government NHS	-	13%	12%	49%	24%	2%	+60% +71% +50%
CONSTRUCTIVE IN ITS CRITICISM Local government NHS	-	16%	17%	49%	16%	2%	+49% +45% +53%
VALUE FOR MONEY Local government NHS	14%	19%	35%	27%	3%	2%	-3% +35% -40%
STRINGENT (Regularity Work)	-	2%	14%	50%	32%	2%	+80%
STRINGENT (VFM Work) Local government NHS	2%	11%	57%	27%	-	3%	+14% +26% +3%
POWERFUL (Regularity Work)	-	5%	24%	40%	30%	2%	+65%
POWERFUL (VFM Work) Local government NHS	3%	14%	49%	27%	3%	3%	+13% +33% -6%
INDEPENDENT (Regularity Work) Local government NHS	-	2%	8%	44%	44%	2%	+86% +97% +78%
INDEPENDENT (VFM Work)	-	3%	26%	46%	22%	3%	+65%

Table 11: Respondents' Past Perceptions of the Accounts Commission (LG only)

STATEMENT IN QUESTIONNAIRE ¹	EXTENT OF AGREEMENT						
	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree	N/A	Net %
* RESPECTED	3%	3%	13%	58%	23%	-	+75%
* VALUED	3%	10%	10%	64%	13%	-	+64%
* HIGH PROFILE	3%	10%	42%	32%	13%	-	+32%
* FAIR	-	-	16%	68%	16%	-	+84%
* CONSTRUCTIVE IN ITS CRITICISM	-	3%	35%	52%	10%	-	+59%
* VALUE FOR MONEY	4%	4%	48%	41%	-	3%	+33%
* STRINGENT (Regularity Work)	3%	-	19%	45%	32%	-	+74%
* STRINGENT (VFM Work)	-	6%	61%	23%	7%	3%	+24%
* POWERFUL (Regularity Work)	-	7%	32%	35%	26%	-	+54%
* POWERFUL (VFM Work)	-	10%	51%	26%	10%	3%	+26%
* INDEPENDENT (Regularity Work)	-	3%	19%	36%	42%	-	+75%
* INDEPENDENT (VFM Work)	-	10%	32%	39%	16%	3%	+44%

¹ All statements in this table are marked * indicating that they were put to local government respondents only

Once again, this section as a whole demonstrates that, in most respects, local government is more favourable in its view of the Accounts Commission than the NHS. To begin on a positive note, there is considerable agreement that the Commission has been in the past, and is, respected by all. However, although local government value the Commission as much as they always have (1998 +61%, past +64%), significantly, NHS respondents do not value the Commission to the same extent (+28%). Similarly, whereas in the eyes of local government, the profile of the Commission has risen greatly (past +32%, 1998 +74%), there is only half-half-hearted agreement from the NHS that the Commission actually has a high profile at present (+25%). However, the most notable differences in opinion between local government and NHS respondents occurred when respondents were asked to indicate their extent of agreement with the Accounts Commission itself being value for money, i.e. being cost-effective. NHS respondents vehemently disagreed with this (-40%), whilst local government respondents only agreed half-heartedly both in the past and in December 1998 (1998 +35%, past +33%). One reason which could be forwarded to explain this, is that when the Accounts Commission assumed responsibility for the NHS audit, the cost of audit to the NHS bodies rose substantially; two-fold or three-fold in some cases. This has evidently caused much resentment. In comparison, in local government costs have risen more on an incremental basis and as a result the cost of audit is not such a contentious issue. This large increase in cost, coupled with the fact that, as

discussed earlier, NHS respondents lack confidence in the Accounts Commission's VFM work (the activity to which it is perceived the majority of the extra audit fee is spent on), go some way to explaining the NHS respondents' perception of the Commission as not being value for money.

For three of the words, 'stringent', 'powerful' and 'independent', the respondents were asked to indicate the extent to which these described their perceptions of the Commission in both its regularity and probity role and in its value for money role. In the former, the regularity and probity role, there was comprehensive agreement that the Commission is stringent (+80%), powerful (+65%) and independent (+86%). Yet, this was not the case in the latter, the VFM role. There was only marginal agreement to the Commission being stringent (+14%) and powerful (+13%), with again NHS respondents demonstrating less enthusiasm, e.g. NHS respondents actually disagreed (-6%) whilst local government respondents only slightly agreed (+33%) with the Commission being powerful in its VFM role. However, there was decided agreement that the Commission is independent in its VFM role (+65%), albeit not to such a great extent as in its regularity and probity work (+86%), although this perception has improved from in the past(+44%).

5 – Who the Respondents Perceive as the Clients of the Audit

In this section of the questionnaire, all respondents were asked to rank in terms of importance, who they perceived the clients of the audit to be in two (for the NHS) or four (for local government) respective work categories. For all work categories, respondents were required to rank the four stakeholders of the audit: the service users/local taxpayers; the national taxpayers; the audited body; and central government, from one to four. The responses to each work category are set out firstly, in a detailed table where the highest percentage of responses for each ranking is underlined, and secondly, in a table which summarises the rankings.

From examining this section as a whole, it can be concluded that there is confusion as to who the principal client of the audit is in all the work categories except for one. This raises a number of concerns which will be outlined as appropriate. The only exception to the rule is the work by the Accounts Commission on management arrangements in local government. The vast majority of local government respondents (71%) perceive the audited body to be the principal client of this work. For all other work categories, however, the responses were inconclusive because the percentage of respondents that agreed to one particular stakeholder being the principal client of the audit was below fifty, and therefore, was not a majority. For example, although 48% of local government respondents ranked the audited body as the principal client of the regularity and probity audit, 52% (the majority) did not. Therefore, it can only be concluded in this case, that the highest percentage of respondents ranked the audited body first, not the majority. One more conclusion that can be drawn from the section as a whole is that in the eyes of local government, national taxpayers are deemed to be the least important in all work categories of the audit, being ranked fourth in all.

5.1: Perceived Clients of Regularity and Probity Work

The order of importance which the respondents ranked the stakeholders in, as clients of the regularity and probity work carried out by the Accounts Commission, is set out in detail

for both local government and the NHS in *Table 12*. To summarise this, the highest percentage of respondents agreeing with each ranking is drawn from *Table 12* and set out in *Table 13*. As can be seen, most local government respondents (48%) ranked the audited body as the principal client of regularity and probity audit. However, it can be seen that 87% (39% plus 48%) of the local government respondents ranked either the service users and local taxpayers or the audited body first, whilst 84% (48% plus 36%) ranked these two categories of stakeholders second. Therefore, it can be concluded that there are two distinct camps, made up of the majority of local government respondents. The first camp ranks the audited body first and the service users and local taxpayers second as the list suggests, whilst the second camp reverses this. More simply, the majority of local government respondents were agreed with the ranking of central government as third and the national taxpayers as fourth. This fourth ranking is interesting considering the fact that most of the funding for both local government and the NHS comes from the national taxpayer.

Table 12: Perceived Clients of Regularity and Probity Work

RANKINGS	STAKEHOLDERS (% of Local government and NHS respondents in agreement) ¹			
	Service Users (and local taxpayers)	National Taxpayers	Audited Body	Central Government
RANKED 1 <i>Local Government</i> <i>NHS</i>	21% <i>39%</i> <i>3%</i>	11% <i>3%</i> <i>19%</i>	48% <i>48%</i> <i>48%</i>	20% <i>10%</i> <i>29%</i>
RANKED 2 <i>Local Government</i> <i>NHS</i>	35% <i>48%</i> <i>22%</i>	6% <i>3%</i> <i>9%</i>	29% <i>36%</i> <i>22%</i>	30% <i>13%</i> <i>47%</i>
RANKED 3 <i>Local Government</i> <i>NHS</i>	14% <i>13%</i> <i>16%</i>	36% <i>26%</i> <i>47%</i>	16% <i>10%</i> <i>22%</i>	32% <i>52%</i> <i>15%</i>
RANKED 4 <i>Local Government</i> <i>NHS</i>	27% <i>55%</i>	44% <i>65%</i> <i>23%</i>	6% <i>6%</i> <i>6%</i>	23% <i>29%</i> <i>16%</i>

¹ The percentage in bold represents the overall view of all respondents. The respective responses of local government respondents and NHS respondents are listed in italics below the overall percentage.

Table 13: Summary of Table 12

Rank	Perceived Client of Regularity and Probity work (LG)	%	Rank	Perceived Client of Regularity and Probity Work (NHS)	%
1 st	Audited Body	48%	1 st	Audited Body	48%
2 nd	Service users & local taxpayers	48%	2 nd	Central Government	47%
3 rd	Central government	52%	3 rd	National taxpayers	47%
4 th	National taxpayers	65%	4 th	Service users	55%

NHS respondents also ranked the audited body as the principal client of the regularity and probity work, although this is inconclusive as again the percentage of respondents agreeing with this was under 50% (48%). However, this time, the fight to be the principal client was between the audited body and central government. The only majority response was to rank the service users as fourth in importance. When comparing this response with that of local government respondents, who ranked service users (and local taxpayers) as second in importance, the difference in opinion is not surprising. It is reasonable to assume that the NHS will pay a lot less attention to service users in comparison with local government because of the fact that there are no local elections to the NHS. As a whole, much of the information gleaned from the NHS responses is inconclusive. This, in itself can lead to conclusions being drawn. In the NHS in particular, there appears to be no consensus on whose behalf the regularity and probity work is carried out.

5.2: Perceived Clients of Value for Money Work (NHS only)

Only NHS bodies were asked to respond to this question. This is because, in the questionnaire, the VFM work for local government was split into three different aspects, two of which were not applicable to the NHS.

As can be seen in *Table 14* and *Table 15*, the responses to this question were not clear-cut. Most of the NHS respondents (42%) ranked the audited body as being the principal client of VFM work. However, 58% did not agree with this. This 58% was spread evenly between the three other categories. Indeed, most (40%) ranked the audited body second. Again the remaining 60% was distributed relatively evenly between the other categories, although the central government percentage was slightly higher. If the percentages for the audited body and central government are added together for rankings 1 and 2 respectively, the sum percentages are 61% and 68%. Thus, it can be concluded that the majority of respondents (albeit slim) rank either the audited body or central government 1 and 2. The majority of respondents (50%) ranked national taxpayers third whilst 41% ranked service users fourth (although 31% also ranked central government fourth). Overall, there was little agreement in any of the rankings in this question.

Table 14: Perceived Clients of Value for Money Work (NHS only)

RANKINGS	STAKEHOLDERS (% of NHS respondents in agreement)			
	Service Users	National Taxpayers	Audited Body	Central Government
<i>RANKED 1</i>	20%	19%	<u>42%</u>	19%
<i>RANKED 2</i>	16%	16%	<u>40%</u>	28%
<i>RANKED 3</i>	22%	<u>50%</u>	6%	22%
<i>RANKED 4</i>	<u>41%</u>	16%	12%	31%

Table 15: Summary of Table 14

Rank	Perceived Client of VFM Work (NHS only)	%
1 st	Audited Body	42%
2 nd	Audited Body	40%
3 rd	National Taxpayers	50%
4 th	Service Users	41%

The range of responses to this question indicates confusion as to who the client of the VFM work is perceived to be by NHS bodies. This raises concerns as to the credibility of the VFM work from the perspective of the audited body, e.g. if it is thought that the main client of VFM studies is central government, then bodies may be less likely to act on VFM recommendations.

5.3: Perceived Clients of Value For Money Studies (LG only)

This question was only included in local government questionnaires. The responses lead to similar conclusions being drawn as to those in Section 5.2. These are set out in detail Table 16 and are summarised in Table 17.

Table 16: Perceived Clients of Value for Money Studies (LG only)

RANKINGS	STAKEHOLDERS (% of local government respondents in agreement)			
	Service Users (and local taxpayers)	National Taxpayers	Audited Body	Central Government
<i>RANKED 1</i>	19%	10%	<u>42%</u>	29%
<i>RANKED 2</i>	<u>48%</u>	13%	19%	19%
<i>RANKED 3</i>	29%	16%	10%	<u>45%</u>
<i>RANKED 4</i>	3%	<u>58%</u>	32%	7%

Table 17: Summary of Table 16

Rank	Perceived Client of VFM Studies (LG only)	%
1 st	Audited body	42%
2 nd	Service users and local taxpayers	48%
3 rd	Central government	45%
4 th	National taxpayers	58%

In all, 42% of respondents ranked the audited body as the principal client of VFM Studies. Again, this means that the majority (58%) did not. The second largest percentage of respondents (29%) perceived central government to be the principal client. Service users and local taxpayers were ranked second, although again not by a majority (48%), 45% of respondents agreed that central government should be ranked third, and ranked fourth, by a majority of 58%, were the national taxpayers. As was the case with the NHS, these responses, especially those regarding the ranking of the principal client, have ramifications for the implementation of VFM recommendations made by the Accounts Commission and thus constrain the effectiveness of the audit.

5.4: *Perceived Clients of Work on Management Arrangements (LG only)*

Table 18: Perceived Clients of Work on Management Arrangements (LG only)

RANKINGS	STAKEHOLDERS (% of local government respondents in agreement)			
	Service Users (and local taxpayers)	National Taxpayers	Audited Body	Central Government
<i>RANKED 1</i>	7%	3%	<u>71%</u>	19%
<i>RANKED 2</i>	<u>58%</u>	3%	16%	23%
<i>RANKED 3</i>	32%	26%	—	<u>42%</u>
<i>RANKED 4</i>	3%	<u>68%</u>	13%	16%

Table 19: Summary of Table 18

Rank	Perceived Client of Management Arrangements Work (LG only)	%
1 st	Audited body	71%
2 nd	Service users and local taxpayers	58%
3 rd	Central government	42%
4 th	National taxpayers	68%

The responses by local government bodies, when ranking the stakeholders as clients of the Commission's work on management arrangements, were the most definitive in the whole of this section. This can be seen in detail in *Table 18* and in summary in *Table 19*. A decisive majority of respondents (71%) perceived the audited body to be the principal client of this work. Service users and local taxpayers were ranked second, again by the majority of respondents (58%), central government was ranked third and the national taxpayers (again) were ranked fourth by 68% of the respondents.

5.5: Perceived Clients of Work on Performance Indicators (LG only)

As can be seen in detail in Table 20 and in summary in Table 21, due to the fact that performance indicators are publicised as being for the use of consumers, i.e. service users, not surprisingly, local government respondents ranked service users and local taxpayers as the principal client of the Commission's work on performance indicators. However, there was little agreement over which stakeholder to rank second. Although most respondents (36%) ranked the audited body second, the majority of others were split between service users and local taxpayers and central government. The case was the same for third where there was only a difference of 10% between central government (39%) and the national taxpayers (29%). The only conclusive ranking was that of fourth, the national taxpayers (61%).

Table 20: Perceived Clients of Work on Performance Indicators (LG only)

RANKINGS	STAKEHOLDERS (% of local government respondents in agreement)			
	Service Users (and local taxpayers)	National Taxpayers	Audited Body	Central Government
<i>RANKED 1</i>	48%	3%	29%	19%
<i>RANKED 2</i>	29%	7%	36%	29%
<i>RANKED 3</i>	16%	29%	16%	39%
<i>RANKED 4</i>	7%	61%	19%	13%

Table 21: Summary of Table 20

Rank	Perceived Client of Work on Performance Indicators (LG only)	%
1 st	Service users and local taxpayers	48%
2 nd	Audited body	36%
3 rd	Central government	39%
4 th	National taxpayers	61%

6 – Issues of Accountability

Table 22: Issues of Accountability

STATEMENT IN QUESTIONNAIRE ¹	EXTENT OF AGREEMENT						
	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree	N/A	Net %
* The Accounts Commission's work on regularity and probity has improved local government's accountability to service users and local taxpayers.	—	—	13%	71%	16%	—	+87%
Work by the Accounts Commission on regularity and probity alone would be sufficient to ensure the accountability of this organisation.	25%	30%	16%	21%	6%	2%	-28%
* The Accounts Commission's VFM work has improved local government's accountability to service users and local taxpayers.	7%	16%	29%	42%	3%	3%	+22%
The Accounts Commission's role in working with management to improve performance has the potential to jeopardise auditor independence.	29%	33%	22%	13%	—	3%	-49%
* The Accounts Commission's role in the development, monitoring and publishing of Citizen's Charter performance indicators has improved local government's accountability to service users and local taxpayers.	3%	16%	36%	42%	3%	—	+26%
* The Accounts Commission's VFM work has improved local government's accountability to central government.	7%	13%	36%	42%	—	3%	+22%
* The VFM work of the Accounts Commission has undermined elected members' local decision-making powers.	29%	32%	32%	3%	—	3%	-58%
* Central government is utilising the position of the Accounts Commission to apply influence and control seemingly apolitically to local government.	10%	3%	36%	39%	10%	3%	+36%
** The Accounts Commission's work on regularity and probity has improved the NHS' accountability to service users and taxpayers.	6%	9%	19%	47%	16%	3%	+48%
** The Accounts Commission's VFM work has improved NHS' accountability to service users and taxpayers.	19%	—	34%	41%	3%	3%	+25%

¹ These statements were put to both local government and NHS respondents except * - local government respondents only, ** - NHS respondents only.

All respondents were asked to indicate their extent of agreement with statements relating to accountability and the role of the Accounts Commission. The majority of these statements were included in only one questionnaire, i.e. in the local government questionnaire (marked *) or in the NHS questionnaire (marked **). The responses to all the statements in this section are set out in *Table 22*.

Local government respondents overwhelmingly agreed (+87%) that the Accounts Commission's work on regularity and probity has improved local government's accountability to service users and local taxpayers. This compares favourably to the moderate agreement (+48%) of NHS respondents to a similar statement concerning the improvement of the NHS' accountability to service users and taxpayers. This difference could stem from the fact that the link between local government and local taxpayers, who are also the electors, is stronger than the link between the non-elected NHS and the national taxpayers. Although the majority of all respondents did not agree that work by the Accounts Commission on regularity and probity alone would be sufficient to ensure the accountability of their respective bodies (-28%), there was only lukewarm agreement to the VFM work of the Accounts Commission having improved accountability to service users (local government +22%, NHS +25%) or to central government (local government +22%). Furthermore, there was only marginal agreement to the Commission's role in the development, monitoring and publication of performance indicators, having improved local government's accountability to service users and local taxpayers (+26%). All these responses suggest that there may be either serious flaws or an expectations gap in the VFM sphere.

7 – Free-Response Questions

This section summarises the answers given to the free-response questions asked towards the end of the questionnaire. The majority of the questions were addressed to both local government and NHS bodies, with the remainder being directed at one or the other type of body. This section is split into five, providing a summary of responses to the questions (or grouping of questions) asked.

7.1: Strengths of the Accounts Commission

Representatives in all local government and NHS bodies in Scotland were asked what, in their opinion, were the main strengths of the Accounts Commission. By far, the most popular response given, was the independence of the Commission. The second-most popular grouping of the responses concerned the quality of the Commission's staff at both central and local levels. These included positive comments regarding the Commission's professionalism; knowledge of the public sector; experience; overall competency; accessibility; and technical expertise. Many also commended the Commission's ability to ensure the same degree of consistency in the standards and quality of audit across Scotland. Additionally, the Commission was described as respected, authoritative, influential and fair as well as being effective as a conduit for passing best practice. A few respondents mentioned the helpful, efficient and approachable nature of local auditors and the way in which they always responded timeously to specific enquiries.

7.2: Weaknesses of the Accounts Commission

The major concerns brought to light when local government and NHS bodies were asked to specify any weaknesses in the work of the Accounts Commission surrounded: the Commission's VFM work; the timeliness of Accounts Commission reports; the quality and experience of staff (mainly in the value for money arena and in NHS audit); the cost of the audit process (an NHS concern only); and the open-ended nature of the audit certification process. To expand, VFM studies were criticised as being too generalist in approach, leading to output insufficiently detailed to be of use to individual clients. Moreover, the predominant use of hurriedly completed questionnaires in the preparation of VFM studies and management arrangements modules was remarked upon as being inappropriate. The topics selected for VFM studies were commented on as being frequently irrelevant, often not geared to the needs of local government and/or the NHS, and having a tendency to shy away from more contentious but important issues. Time delays in the production of Accounts Commission reports, (VFM studies in particular), was frequently remarked upon. Furthermore, many respondents were of the opinion that local auditors had inadequate skills and experience (or in the case of the NHS, the relevant clinical background) to carry out VFM work. With regard to the NHS audit, a number of respondents were of the opinion that there was much room for improvement in the Accounts Commission staff's NHS-specific knowledge, although most conceded that much progress had been made since 1995.

Another perceived weakness, remarked upon by the majority of NHS respondents, was the cost of the work of the Commission. There appears to be a prevailing view in the NHS that the Commission's costs do not offer value for money and that the Commission (in its national role) adds an unnecessary layer of bureaucracy to the audit process. A prevalent response from local government respondents concerned the open-ended nature of the audit

certification process. In light of the pressure on local government bodies to close their accounts within a very tight timescale, the Commission's inability, in some cases, to meet audit deadlines and their lack of constraint in this respect was resented. It was resented all the more as a result of the adverse publicity subsequent to reorganisation when most were unable to close their accounts timeously. Indeed, a few respondents called for the Commission to be more sensitive in its press releases, criticising the Commission for being over-critical of local government and for failing to appreciate the climate that it works in.

7.3: The Appropriate Role of the Accounts Commission

The vast majority of respondents were of the opinion that the Commission's existing role is appropriate. However, a few put forward the view that the VFM role and the regularity and probity role of the Commission, should be two separate, distinct exercises carried out by different people or further, the VFM role should be carried out by a different body. A reason forwarded in this argument was that the two-dimensional role of the auditors could lead to conflict over roles and priorities. Other respondents expressed views that the existing role of the Commission is appropriate but with provisos, i.e. the Commission's existing role is appropriate except that it should: operate in a manner that provides value for money; be more flexible in its approach to meet local situations and circumstances; be faster in publishing its VFM study results; have follow-up powers to ensure actual action is taken on findings; develop performance indicators which provide an accurate reflection of local government's performance; be more proactive rather than reactive; have a more helpful approach; and finally, its involvement in the development of Best Value should be excluded. Indeed, a number believe that the Commission's expansion into Best Value dilutes its core role.

7.4: The Accounts Commission and the Accountability of Local Government and the NHS in Scotland

The question directed to those in local government was, 'has the Accounts Commission altered the way in which local government is accountable?'. A similar question was asked of NHS bodies (substituting the 'local government' with 'the NHS in Scotland'). The majority of respondents did not answer this question. Those who did were of mixed opinion. A number answered 'no' or 'not to a major extent'. However, the majority of those who did answer were of the opinion that the Accounts Commission has altered accountability and has done so in a positive manner. In local government two main trains of thought as to the way in which this perceived improvement in accountability has occurred became apparent from the responses: the media attention the publication of the Commission's statutory and VFM reports receive; and the Commission's role in the development, monitoring and publishing of performance indicators. A few respondents commented that the profile of the concept of accountability was heightened by central government with the imposition of a legislative requirement for Citizen's Charter performance indicators, and that the Commission was merely a facilitator of this central policy. As such, the Commission did not alter accountability but facilitated the altering. Other observations made by local government respondents included the fact that councils tend to treat the Accounts Commission as an organisation to which they are accountable rather than the instrument by which government holds them accountable, and the potential of the Accounts Commission's ever-extending involvement to cloud or possibly distort the communication and accountability links between the local electorate and the council.

Many respondents from the NHS were of the opinion that it was the introduction of Trust status that improved accountability in the NHS to the greatest extent, but that the Accounts Commission was an important mechanism in this process in making accountability more visible and explicit. In the same vein, one of many reasons forwarded to explain why standards of corporate governance in the NHS have improved over the last five years is because of the awareness that adverse comment/opinion by the Commission will enter the public domain. Thus, similarly to local government, there was a view that the NHS in Scotland had become more publicly accountable as a result of the high profile Accounts Commission reports released to the media; a high profile which was said to stem from the independent status of the Commission. Indeed, press announcements were described by one respondent as 'the toughest sanction the Accounts Commission has in calling bodies to account.'

7.5: Comparing the Accounts Commission and the Scottish Office Audit Unit

All representatives in NHS bodies were asked, 'why was the external audit function of the NHS in Scotland transferred from the Scottish Office Audit Unit to the Accounts Commission?' and 'in practice, how does the Accounts Commission's approach to the external audit of the NHS in Scotland differ from that of the Scottish Office Audit Unit?'. The overwhelming reason given by respondents for the transfer of the NHS external audit to the Accounts Commission was to improve the independence of the audit process (or to give the appearance of independence). There was a perception that an external body would provide additional rigour not previously available. Moreover, many respondents were of the opinion that the setting up of NHS Trusts was not consistent with having audit carried out by an 'internal' agency. A number of respondents suggested that improved independence of the audit process would in turn improve accountability. Respondents also described the Commission as a body with a higher degree of professionalism, a broader range of skills, experience, expertise and knowledge than the SOAU. Other miscellaneous reasons suggested for the transfer were: to address the audit of strategic issues which cross the boundaries between health and local government (e.g. Care in the Community), to bring all public sector audit arrangements under one body; because the SOAU could not manage the extra work of the new Trusts; to strengthen central government's position regarding audited bodies; and to mirror developments in England.

In most respects, the Accounts Commission's approach was seen to be an improvement on that of the SOAU. The SOAU was described by one respondent as being 'very cosy and accepting'. In contrast, the approach of the Commission was described as being professional and competent, if slightly impersonal. Overall, the impression given by the respondents is that the arrival of the Accounts Commission has raised standards, encouraged better practice and has given greater profile to external audit amongst staff. There were many individual comments, all in the Commission's favour, intimating that: the Commission's approach is more structured; the Commission's staff have a clearer understanding of professional accounting issues; the reporting process is more formal and professional; more reliance is placed on internal audit; and greater use is made of modern techniques. However, one unavoidable criticism made, was that the Accounts Commission's staff had less knowledge and experience of the NHS than the SOAU. Nevertheless, it has been indicated that this situation has vastly improved.

Conclusion

The purpose of this summary report was to present the initial findings of a survey conducted as part of empirical research for a PhD entitled 'The Accounts Commission as an Agent of Public Sector Accountability'. The survey sought the opinion of Directors of Finance in local government and NHS bodies in Scotland on a variety of issues surrounding their external auditors and the central work of the Accounts Commission. A vast amount of useful data was generated. From this, three main themes that warrant further investigation have been identified.

Firstly, the responses in a number of the sections suggest that the audited bodies are not content with the value for money work carried out by the Commission at both local and central levels. Indeed, value for money work was the major weakness identified by the respondents in the free-response section. At a local level, many respondents were of the opinion that local auditors had inadequate skills and experience to carry out VFM work. This was backed up by there only being weak agreement to local auditors being effective in their VFM role. Similarly, at a central level, misgivings concerning the efficacy of the Accounts Commission's VFM role were indicated, although in the case of local government the Commission was perceived as having improved in comparison with the past. Additionally, the VFM studies produced by the Commission were criticised as being of little benefit to individual bodies because they were too generalist in approach and at times were published too late to be of use. Also, the topics of the studies were commented upon as being frequently irrelevant. Whilst it appears that there are serious flaws in the VFM work, it is also possible that there may be an expectations gap between what the auditors and the Commission staff can do and what the audited bodies expect them to do in the VFM sphere.

Secondly, a pattern that emerges from the survey responses is that of local government respondents, in the majority of areas, being more favourable in their views of the Accounts Commission than their NHS counterparts. This is most marked in the opinions on the value for money work of the Commission. It is conjectured that this could be because local government has had time to become accustomed to the way in which the Accounts Commission works as opposed to the NHS, which has only had four years contact with the Commission. Also, the cost of audit may have something to do with the proliferation of negative opinion, as the massive hike in the audit fee for NHS bodies appears to have caused much resentment. It is imperative to investigate this further as it is possible that this negative opinion could impact upon the work of the Accounts Commission. Further investigation will attempt to find out whether auditors receive less co-operation from NHS bodies or whether they are less likely to take on board the main findings and recommendations of the Accounts Commission.

Thirdly, there was confusion as to who the principal clients of the various types of audit were perceived to be. For VFM work in particular - work which relies on the co-operation of the audited bodies - this raises concerns as to the credibility of the work from the perspective of the audited body, e.g. if it is thought that the main client of VFM work is central government (or any other stakeholder that is not the audited body), then the audited bodies may be less likely to act on VFM recommendations. As a result, this could constrain the effectiveness of audits. The only conclusive finding with regard to the perceived clients of the audit concerned the national taxpayers. From the perspective of local government respondents, national taxpayers are deemed to be the least important in

all work categories of the audit, being ranked fourth in all. This situation is interesting considering the fact that most of the funding for local government now comes from the national taxpayer.

These three principal findings and indeed all the individual findings from the survey as a whole, provide what has been missing from any work upon the Accounts Commission for Scotland to date - empirical evidence. When investigated further, and when they are discussed within the theoretical framework designed for the PhD, these findings will make a valuable contribution to the literature on accountability and public sector audit in Scotland.

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