

# Overview of the local authority audits 2008



 AUDIT SCOTLAND

Prepared for the Accounts Commission  
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# The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- Issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 41 joint boards (including police and fire and rescue services). Local authorities spend over £19 billion of public funds a year.

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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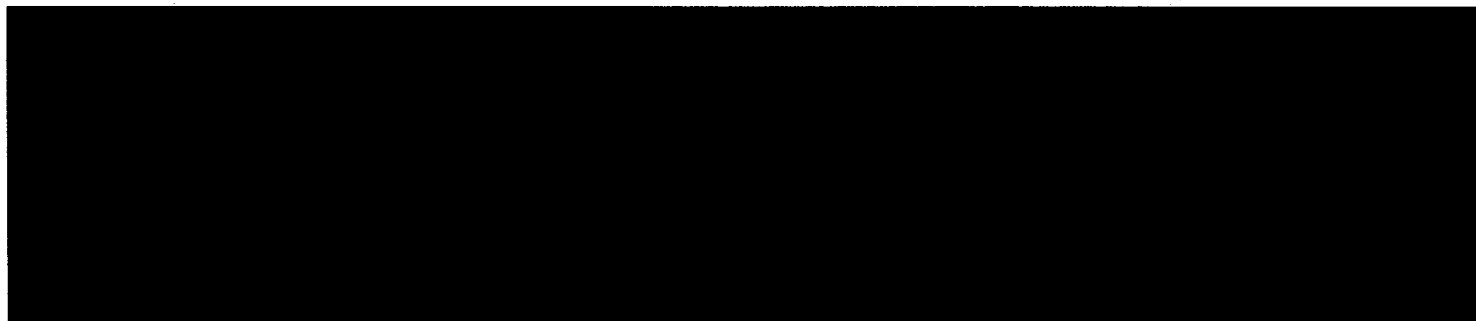
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# Commission findings



The Commission acknowledges the progress achieved and considers it crucial that councils now focus on key areas to meet the significant challenges they face.



The Commission welcomes the evidence of improving local authority services across a range of areas. However, this latest report has been produced at a time when councils face significant challenges in dealing with fast changing economic circumstances and financial pressures, and in implementing Single Outcome Agreements with community planning partners.

We acknowledge the progress achieved and consider it crucial that councils now focus on a number of key areas to ensure they are fully equipped to address these challenges. In particular, we urge them to take action on the following matters:

- Performance management and monitoring – the focus on outcomes does not remove the need for good management processes and robust information about the quality, cost, accessibility and value for money of services.
- A culture of continuous improvement – councils should ensure that there is a strong culture of continuous improvement across services, with an even greater emphasis on efficiency and the effective use of resources.
- Competitiveness of key services – it is essential that councils take a more systematic and rigorous approach to demonstrating service competitiveness and value for money, by market testing activities and by making more use of benchmarking and other comparative information.
- Shared services – we are disappointed at the slow progress in securing efficiencies from shared service initiatives and, in light of the continuing financial pressures, all councils should consider this as a high priority.

- Making partnership working real and effective – the development of Single Outcome Agreements is a challenge for councils and their partners and will require further and quicker development of accountability, governance and public performance reporting arrangements.
- Continuous development of elected members – personal development is now established as essential to support elected members in carrying out their demanding and complex roles. All councillors should have a personal development plan which sets out training needs and progress.

Action by local authorities in response to these findings will contribute to improved public services for the people of Scotland. This also depends, however, on corresponding improvements by other public bodies and the Commission hopes that these bodies will address these matters, particularly in relation to partnership working and shared services.

# Summary



This report provides an overview of the main issues identified from our local government audit work in 2008.



**1.** This report provides an overview of the main issues identified from our local government audit work in 2008, which includes:

- annual audits of the 32 councils and 41 other local authority bodies, such as police and fire and rescue authorities
- Best Value audit reports on Aberdeen City, Aberdeenshire, Falkirk, Midlothian, North Lanarkshire, Orkney Islands and Perth & Kinross, and the progress report on Argyll & Bute
- statutory reports on property transactions at Aberdeen City and on audit qualifications at Aberdeen City and Shetland Islands
- Statutory Performance Indicator (SPI) information published in December 2008
- national performance study reports on the schools estate, the national fraud initiative, fire and rescue authorities, the impact of the race equality duty and on energy efficiency.

**2.** The report also draws on a range of other sources and seeks to highlight issues of general importance for the local government sector in Scotland. It is organised in five parts:

- Part 1. The national context sets the scene.
- Part 2. Supporting continuous improvement looks at the role of elected members and senior managers in leading and directing councils.
- Part 3. Using resources considers how councils manage money, people and property.
- Part 4. Service performance looks at aspects of service delivery.

- Part 5. Looking ahead considers the key issues facing councils and how audit will support public scrutiny.

### Key messages

- At a time of increasing demands on services, councils face difficult decisions in allocating resources and providing financially sustainable services. Current economic conditions necessitate even greater emphasis on efficiency and the effective use of resources.
- The outcomes-based approach is developing, and Single Outcome Agreements (SOAs) should now be the main vehicle for councils and their partners to plan and achieve better outcomes for their communities and continuous improvement in their services. The SOAs bring new challenges for councils in governance, public accountability and performance management.
- The effectiveness of governance and accountability has a direct impact on the quality of services. Development is essential to support elected members in carrying out their complex role and to enhance governance and scrutiny. Effective performance management has been a requirement under Best Value for some time, and it is now critical to support SOA implementation and development.
- Councils generally reported a better financial position than predicted for 2007/08, mainly due to underspending in some services and lower than expected financing costs. However, they continue to face significant financial pressures and some councils are experiencing difficulty in maintaining reserves in line with their policies. Those councils

that have yet to implement single status need to do so as a matter of urgency.

- Evidence from sources, including the Statutory Performance Indicators and audit and inspection reports, indicates that services are improving across a range of areas.
- We are committed to developing more risk-based and proportionate scrutiny of local government with our partners in the inspectorates, and this is fundamental to the development of Best Value 2. The annual financial audits are increasingly important in the current economic environment, providing independent assurance on the financial position and on financial governance and management.