

AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2010 - 2011

1. SUMMARY

External audit, in May 2007 undertook a review of the Code of Practice for Internal Audit in Local Government (the Code). Their resultant report recommended that external audit reports (including Audit Scotland reports) be reported to the Audit Committee on a quarterly basis.

2. RECOMMENDATIONS

2.1 The contents of this report are noted and will be followed up by Internal Audit.

3. DETAILS

3.1 On 28 January 2011, Audit Scotland issued a report entitled "An overview of local government in Scotland 2010". The report provides an overview of the main issues arising from the audit work undertaken across 32 councils in 2010. It draws on a range of sources to highlight strengths and areas for improvement, and examines the challenges and risks in 2011 and beyond.

3.2 The report states that public finances are under greater pressure than at any time since devolution, Councillors face difficult choices and decisions and that fundamental changes to service delivery will be needed. The report also covers that the 32 council's accounts showed a relatively stable financial position. Exhibit 7 on Page 11 of the report depicts the changes in borrowing (real terms) 2003/04 to 2009/10 for 31 councils in Scotland of which Argyll and Bute is recorded as having its net borrowing drop over the comparison years.

3.3 The report also comments on the role of the Audit Committee will become increasingly important and that councils must make full use of this mechanism to challenge performance and demonstrate value for money. The role of the section 95 officer is mentioned as being fundamental to ensuring sound financial management and the maintenance of internal financial controls plus the provision of financial advice to councillors. On a similar theme the report states that systems of internal financial control will be increasingly important, and councils need to ensure that they have a modern, independent and focused internal audit function in place. The Summary and Appendix 1 and 2 from report are attached for the Audit Committee as Appendix 1.

3.4 On 10 February 2011, Audit Scotland released a report entitled, "The cost of public sector pensions in Scotland". The report sets out information on the costs of the six main public sector pension schemes in Scotland. Part

4 of the national report is of particular interest to Local Government and states that the Local Government Pension Scheme (LGPS) is the only one of the main public sector schemes that is funded. It is also the largest of the 6 main schemes accounting for 45% of membership in Scotland and covers 11 individual pension funds administered by 11 lead councils.

- 3.5 The report highlights that the LGPS operate within a well-established governance system. Payments to LGPS pensioners have been increasing between 2005/06 and 2009/10 by 26% per cent in real terms, from £667 million to £840 million. The report also highlights that employers' contributions to the LGPS have also increased by a quarter over the last 5 years. The report also states that the LGPS is subject to continuing cost pressures and that a pathfinder project has been commenced to evaluate LGPS.
- 3.6 The task given to the LGPS pathfinder project is to look at the rationalisation of the 11 pension funds that make up the LGPS in Scotland. The main argument is administrative savings of approximately £11-13 million per annum and potential savings in investment management of £8-10 million a year. Discussions initiated by the pathfinder project with council members and officers found general support for pension fund rationalisation. Part 4 and Appendix 3 from the report are provided for the Audit Committee in Appendix 2.
- 3.4 On 16 February 2011, Audit Scotland released a report entitled, "Need for urgent action to tackle road maintenance". The report is a follow-up to Audit Scotland's last report on this topic, which was published in 2004. This looked at councils' responsibilities and performance and had strong findings and recommendations for improved services. However limited progress was reported by Audit Scotland regarding implementation of their recommendations.
- 3.5 Despite high levels of overall spending on public services, the condition of Scotland's roads worsened over the past six years. In 2010 only 63% of roads were in an acceptable condition and the cost of the maintenance backlog increased to £2.25 billion, £1 billion more than in 2004. During the financial year 2009/10, £654 million was spent on maintaining roads (£162million went on trunk roads and £492 million on local roads).
- 3.6 In 2010, the Society of Chief Officers of Transportation in Scotland estimated that councils needed to spend an additional £45 million each year for the next decade to maintain local roads in their existing condition. Without this, the value of the local road network would decline by £1 billion and the condition of these roads would worsen by 10%. Successive surveys by Argyll and Bute Council have shown that residents want to see more money invested in the road network. The council has agreed to enable plans for £3 million of improvements across the road network. The report Summary is provided in Appendix 3.

The full reports can either be viewed at http://www.audit-scotland.gov.uk/work/local_national.php 2010/11 or viewed in the Members Room where a copy has been made available.

4. CONCLUSIONS

This report is submitted to the Audit Committee for consideration.

5. IMPLICATIONS

5.1	Policy:	None
5.2	Financial:	None
5.3	Personnel:	None
5.4	Legal:	None
5.5	Equal Opportunities:	None

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