

Accounts Commission for Scotland

Annual statement on efficiency, effectiveness and economy for 2018/19

1. The Public Services Reform (Scotland) Act 2010, section 32(1)(b) requires listed public bodies to publish a statement in relation to efficiency, effectiveness and economy as soon as possible after the end of the financial year.
2. The following statement sets out the steps that the Accounts Commission has taken in 2017/18 to improve its efficiency, effectiveness and economy in the exercise of its functions.
3. The Accounts Commission, established in 1975, is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.
4. Our work includes:
 - securing and acting upon the external audit of Scotland's councils and various joint boards and committees
 - assessing the performance of councils in relation to Best Value and community planning
 - carrying out national performance audits to help councils improve their services
 - requiring councils to publish information to help the public assess their performance.
5. The Accounts Commission expect local authorities to manage their finances to the highest standards and achieve the best possible value for public money. The Commission expects the same of Audit Scotland. Audit Scotland provides services to the Accounts Commission and the Auditor General. Since 2010 we have implemented a strategy to reduce the cost of audit. We have been able to consistently report progress in that strategy. Audit Scotland meets its costs from audit charges to public bodies, and from the Scottish Consolidated Fund for work directly funded by the Scottish Parliament. The Accounts Commission agrees audit fee levels in local authorities.
6. In December 2017, Audit Scotland presented its 2018/19 Budget Proposal and Fee Strategy to the Scottish Commission for Public Audit (SCPA). In recommending approval of this proposal, the SCPA noted that Audit Scotland expects to continue to make real terms reductions in fees across all sectors of audit activity.
7. In December 2018, Audit Scotland presented its 2019/20 Budget Proposal and Fee Strategy to the Scottish Commission for Public Audit (SCPA), which was agreed by the SCPA.
8. The SCPA has previously welcomed the commitment of Audit Scotland to ensuring audit quality and extra resources proposed – funded internally - to support this.
9. In its annual report 2018/19, the Commission has reported that that we are assured about the good quality and continuing improvement of audit work and about a strong culture of improvement across all audit providers. We have noted that:
 - All independent reviews of our audits reported that they were good or satisfactory, with none graded as requiring significant improvement.

- There has been improvement in the last two years in documenting audit evidence, the use of analytical procedures, and in how sampling is used.
 - Auditors completed and reported 98 per cent of audits on time.
 - Stakeholders expressed a high level of satisfaction with the usefulness of the annual audit.
 - Stakeholders were positive about Commission reports helping them to deliver improvement:
 - Our internal and external quality review found high levels of compliance with our audit quality frameworks for performance audit and Best Value audit work.
10. The Commission works closely with the other inspectorates in Scotland to achieve sharper focus on potential risks that lie ahead so that issues facing councils can be addressed sooner and more effectively. Much has been achieved streamlining the system through a national scrutiny plan and strategic risk assessments for each council. In April 2018 we published the [National Scrutiny Plan for Local Government](#) and 32 local scrutiny plans. This has led to much better co-ordination between the other scrutiny bodies, including Education Scotland, Care Inspectorate, Scottish Housing Regulator, Her Majesty's Inspectorate of Constabulary for Scotland, Fire and Rescue Service Chief Inspector and Health Care Improvement Scotland. It has also helped the Commission target its Best Value work and reduce the overall burden of scrutiny on councils.
11. Our annual overview reports of local government reports on the sustainability of councils. We publish two reports: a financial overview in the Autumn and a wider overview in the spring. [Local government in Scotland: Financial Overview 2017/18](#) was published on 29 November 2018 and [Local government: challenges and performance 2018](#) was published on 21 March 2019.
12. In this year's overviews, we reported that Scotland's councils received £17.4 billion of income in 2017/18. Scottish Government revenue funding to councils reduced in 2017/18, in cash terms by 0.6 per cent (£0.06 billion) and in real terms, by 2.3 per cent (£0.22 billion). Council tax increases and increased fees and charges were used by councils to increase overall budgets by £0.3 billion (cash terms). We found that:
- Scotland's councils are managing to improve and maintain most services. But Scottish Government funding to councils is likely to reduce in future; this, combined with increased demand and less flexibility over spending decisions, means councils need to think differently about how they deliver services to the public.
 - Some services are beginning to show signs of pressure and change is needed to tackle a growing gap between demand and resources. Nearly 70 per cent of councils' spending is on social care and education, and more money is being committed to Scottish Government priorities. This leaves councils less flexibility in where to spend and where to save.
 - At the same time councils are facing increased demand. All councils will see a continued rise in the number of people aged 65 and over, and ten councils an increase in the number of children under 15.
13. The report makes a series of recommendations to councils and provides practical advice to elected members to help them fulfil their responsibilities.

14. The past year has seen us implementing the second year of our new approach to auditing Best Value. An important feature of the new approach is better integration between the annual financial audit and Best Value audit work. This is intended to ensure more efficient and effective approaches to our audit work. The annual audit reports for all 32 councils provide an assessment of elements of councils' performance against their Best Value duty. In addition, as part of the new approach, we published seven Best Value Assurance Reports:

- [Fife Council](#) (published 24 May 2018) continues to improve and has tackled aspects of underperformance head on. This report makes clear that overall the council continues to improve since the previous audit in 2009, with a strong commitment from councillors and staff to realise the change and improvements needed to meet future challenges. This includes tackling the council's significant budget gap of £43 million over the next three years.
- [East Ayrshire Council](#) (29 May 2018) is performing well, services are improving, and there is strong partnership working. The council has maintained the strong performance reported in previous audits in 2006 and 2010. The majority of services are improving. These improvements have been achieved against a backdrop of financial, social and economic challenges in East Ayrshire.
- [West Dunbartonshire Council](#) (28 June 2018) has made significant progress in recent years. A critical part of the progress made has been the effective and improved leadership of councillors and officers, sharing a commitment to making improvements. There has been clear and steady improvement in service performance, particularly in the council's priority areas of housing and advancing educational attainment. Local residents also express increasing satisfaction with council services.
- [Glasgow City Council](#) (23 August 2018) has made steady progress over the last decade and has a clear plan to tackle the city's challenges. But the Commission has serious concerns that the council may be facing a period of unprecedented financial pressure on services because of the potential cost of resolving equal pay claims. The council is working well with its partners to support economic growth and has improved performance across many service areas, including educational attainment, wellbeing of children and young people, and wider health outcomes. It is important this momentum continues.
- [East Lothian Council](#) (1 November 2018) has improved significantly but faces big challenges with a rising population. The report looks back to a highly critical report in 2007 which highlighted various failings, including leadership, openness and financial planning at the council. The report says improvements have been made across the board in governance, leadership, scrutiny and transparency in decision making. Financial management is effective, and East Lothian has a good track record in delivering services within budget.
- [Dumfries and Galloway Council](#) (22 November 2018) has made good progress and needs to take this further to meet the challenges it is facing. The report contrasts with a 2009 report which identified serious weaknesses in leadership, management and services. It now has a clear strategic direction, more effective leadership and better systems for planning, monitoring and continuous improvement.
- [South Lanarkshire Council](#) (28 March 2019) demonstrates strong leadership, has a good approach to the way it manages its finances and has delivered improvements to many services. The council delivers major capital projects on time and on budget, has redesigned services and has a culture of continuous improvement. This will help them to meet the financial challenges that all councils continue to face.

15. All of these reports provide an independent assessment of how councils are demonstrating continuous improvement against economy, efficiency and effectiveness, which are the core elements of Best Value
16. The Commission also used its powers to publish a report bringing serious issues of wider concern to all councils and to the public. This related to poor building controls evident after a school wall collapsed in Edinburgh.
17. We carry out performance audits to help councils improve the quality of their services, do more with their money, and find lower-cost ways of working to the same or better standards. Our audit reports carry recommendations for councils to help them improve, and we publish good practice checklists and case studies. These also identify potential savings.
18. All of our national performance audits contain recommendations for councils and partners to improve:
 - [Councils' use of arm's-length organisations](#) (17 May 2018) looks at how councils are using the estimated 130 ALEOs (arms-length external organisations) in Scotland, which have an annual spend of more than £1.3 billion, and the impact they are making. The report says they have brought benefits, including reducing costs, increased uptake in sport and leisure and improved standards of care. Councils have strengthened their oversight of ALEOs. They are showing improving practice in evaluating them as an option but could do more to involve the public and wider stakeholders in that process.
 - [Children and young people's mental health](#) (13 September 2018) reports that a big increase in young people being referred to mental health services and longer waiting times are signs of a system under significant pressure. The report advises of the need for a step change in the way the public sector responds to the mental health needs of children and young people. It finds that that the current system is geared towards specialist care and responding to crisis, despite government strategy being focused on early intervention and prevention.
 - [Health and social care integration: an update on progress](#) (15 November 2018) reports that while some improvements have been made to the delivery of health and social care services, Integration Authorities, councils and NHS boards need to show a stronger commitment to collaborative working to achieve the real long term benefits of an integrated system. The report notes some progress, but says the remaining challenges are significant. It finds that success will depend on long term integrated financial planning and stable and effective leadership. The report says all bodies involved need to tackle these issues as a matter of urgency in order to transform the way services are provided for Scotland's ageing population.
19. The Commission closely monitors its programme of national performance audits, in conjunction with the Auditor General for Scotland, to ensure that this is delivered efficiently and is reflective of issues affecting local government and the wider public sector. We also consult with stakeholders to seek their views on the areas of policy and service provision that should be considered for audit work. We consider the outcome of this consultation in public.
20. We also commit to ensuring that we better identify, promote and share good practice from across our audit work. This year, all of our published performance audits and overview reports have fulfilled this objective. Examples are:
 - Our report *Local Government in Scotland: challenges and performance* has a checklist on scrutiny for councillors.

- Our website includes a hub of resources around transforming health and social care, including: exhibits that visualise complex data and processes in an accessible and informative way; a compendium of published reports and scopes for forthcoming work; background data; blogs; reports on work around sharing intelligence among scrutiny bodies; case studies of new models of health and social care; and annual audits of health and social care organisations.

21. We test the effectiveness of our audit work through Commission members meeting representatives of audited bodies on whom we have published reports. This year, members met with representatives of six councils: Fife, East Ayrshire, West Dunbartonshire, Glasgow, East Lothian and Dumfries and Galloway. The meetings focused on key audit findings, the audited bodies' response to those issues and feedback from the audited bodies on the audit process itself. Feedback from the audited bodies has been positive and constructive.
22. We also met representatives of all Scottish councils – predominantly leaders and chief executives – at a series of engagement events titled 'Commission Connected' and held throughout the country in Autumn 2018. These were an opportunity for the Commission and councils to discuss the Commission's work.
23. We also test the effectiveness of our work through our Engagement Strategy, which we update annually and most recently published in June 2018. The Strategy sets out a wide range of stakeholders with whom we engage around our work, in terms of planning, conducting and reporting on audit work.
24. The Commission requires councils to publish information on their performance for the public. The Commission has worked with councils to encourage them to publish their own performance information, rather than the Commission needing to prescribe the information that councils should publish. This has allowed councils flexibility in producing the right information in appropriate formats and thus find efficiencies in compiling and publishing such information. A set of benchmarking performance information across all councils was published by councils during the year and shows good progress on the quality of information being produced and published by councils.
25. We have made increasing use of electronic based formats for our publications, thus increasing the effectiveness and efficiency of our approach. We continue to develop our new website, which is intended to help improve the effectiveness of our communications with stakeholders.
26. In updating its strategy on an annual basis, the Commission will consider how to increase its efficiency and effectiveness. We want our impact to be seen in terms of how we have helped Scottish local government improve its performance and value for their citizens and communities.
27. Our work for the year is reported in our [annual report](#). All of our audit reports can be found on our website at www.audit.scotland.gov.uk.

**Accounts Commission
May 2019**