

**Accounts Commission for Scotland**

**Annual statement on efficiency, effectiveness and economy for 2016/17**

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 2016/17 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. New audit appointments commenced in autumn 2016 alongside the implementation of a revised Code of Audit Practice. As part of the appointment process, Audit Scotland undertook a review, in conjunction with the Commission, of its funding and fee setting arrangements to assess whether they are fit for purpose, fair, transparent and understandable for audited bodies and other stakeholders. This review included a consultation in autumn 2016 proposing changes in the way in which audit fees are calculated and presented to audited bodies. The outcome of this consultation, together with savings from the audit procurement exercise and future Audit Scotland efficiency targets, combined to inform the setting of audit fees for the 2016/17 audits.
7. In December 2016, Audit Scotland presented its 2017/18 Budget Proposal and Fee Strategy to the Scottish Commission for Public Audit (SCPA). The SCPA also noted that Audit Scotland has recently undertaken the review of its funding and fee setting arrangements in conjunction with the Accounts Commission. In supporting the budget, the SCPA welcomed a reduction in fees and expenses being paid to external firms. In response to concern expressed by SCPA that this could result in poorer quality audit work being undertaken, Audit Scotland outlined measures it is taking to mitigate against any impact of this kind and also noted that a review of

its quality arrangements is currently underway and that the 2017/18 budget proposal included a financial commitment to support an enhanced quality regime.

8. 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 June 2017 we published the national scrutiny plan 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.
9. The past year saw us reporting on four audits on how individual councils are carrying out their statutory duty since 2003 to demonstrate best value and continuous improvement:
  - South Ayrshire (June 2016) had made significant progress since a critical audit in February 2014 establishing an improvement framework across the council. New staff had been recruited to key positions and there were better working relationships between councillors. Clear political and managerial leadership is making a positive difference.
  - Angus (October 2016) had made progress in recent years setting out a clear vision, modernising its business processes and improving the leadership provided by senior managers. However, the council needed to be more ambitious and speed up the pace of change in order to meet its £26.5million savings target.
  - The Commission said it was disappointed with developments at Falkirk (December 2016) since August 2015 during which time savings over three years required by the council had grown from £46 million to £61 million. Although there has been activity at the council there has been limited progress in addressing the underlying need for better coordinated and more radical change.
  - A similar picture emerged at East Dunbartonshire (December 2016) where the Commission said it remained concerned that issues identified in two previous reports had not been adequately addressed. Some improvements had been made but the council needed to do a lot more to meet the financial challenges it faced.
10. The past year has seen us implementing the first year of our new approach to auditing Best Value. This will see reports on six councils being published in the year from May 2017: Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney and Clackmannanshire councils. An important feature of the new approach will be 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.
11. 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.
12. This year we have been rolling out our new approach to our work programme. The new five-year rolling programme, which we adopted following extensive consultation with stakeholders during 2016, reflects a more strategic approach to planning and managing the Commission and Auditor General's work, with a shift away from an annual work programme to a longer-term view that reflects their strategic priorities and the key risks and opportunities facing Scotland's

public sector. The new approach will help to ensure that the work Audit Scotland delivers on behalf the Accounts Commission and the Auditor General is highly relevant, timely, makes best use of our resources and ultimately improves the use of public money in Scotland.

13. In our Strategy, we have a commitment to ensure that every performance audit contains practical advice for elected members and officers and makes background data available for use by councils and citizens. This year, all of our published performance audits and overview reports have fulfilled this objective. Examples are:
- Our report *Local government in Scotland: Financial overview 2015/16* has two supplements: a self-assessment checklist for councillors and detailed analysis of the Local Government Pension Scheme. Our website contains an interactive graphic comparing financial data of individual councils. There is also a spreadsheet setting out information from our database of unaudited accounts.
  - Our report *Local Government in Scotland: performance and challenges 2017* has two supplements: a self-assessment checklist for councillors and a compendium of good practice.
  - Our *Roads maintenance in Scotland* report is accompanied by interactive graphics on our website with background data
  - Our *Social Work in Scotland* report has four supplements:
    - Presenting the findings of our survey of service users and carers.
    - Listing advisory group members, who gave advice and feedback at important stages of the audit. It also describes the detailed audit methodology, the roles and responsibilities of the key social work organisations and social work legislation.
    - Describing the governance and scrutiny arrangements in each of our fieldwork councils, providing an illustration of the variety and complexity of arrangements across Scotland.
    - A self-assessment checklist for elected members.
  - A supplement to our 2014 *School education* report was published in October 2016, setting out practical advice on effective scrutiny of education performance.
14. 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: performance and challenges 2017* has two supplements: a self-assessment checklist for councillors and a compendium of good practice.
  - We discussed our *Roads maintenance in Scotland* report with the Roads Collaborative Programme Board, led by local authorities.
  - 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.

15. Each of our reports is followed up with an impact report. We published three such impact reports during 2016/17:

- *Reshaping care for older people* (published May 2016; original audit report published February 2014)
- *School education* (published October 2016; original audit report published November 2013))
- *Borrowing and treasury management* (published November 2016, original report published March 2015).

These impact reports show how councils have acted upon our recommendations. Key themes that emerged from impact reporting were the importance of ensuring that findings and recommendations are effectively communicated to the people with the authority and ability to lead and implement change and improvement, and that interest in all of our work spreads well beyond the primary audience of council members and officers.

16. 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 four such bodies: South Ayrshire, Angus, Falkirk and East Dunbartonshire councils. 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.
17. We also test the effectiveness of our work through our Engagement Strategy, which we published in May 2016. 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.
18. 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.
19. 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.
20. 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.

**Accounts Commission  
June 2017**