

Accounts Commission for Scotland
Annual statement on efficiency, effectiveness and economy for 2015/16

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 2015/16 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.

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.
4. Audit Scotland provides services to the Accounts Commission and the Auditor General. In autumn 2010 the Commission approved an approach to reducing audit fees that contributes to Audit Scotland's four-year financial strategy to reduce significantly the cost of audit. Overall, working together, the Commission, the Auditor General and Audit Scotland are aiming to reduce the cost of audit to public bodies by at least 20 per cent over the four years to 2014/15. In April 2015, Audit Scotland reported that this target had been achieved.
 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 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. During 2015/16, the Commission approved a fee strategy as a basis for tendering for a new round of five-year audit appointments.
 6. New audit appointments will commence in autumn 2016 alongside the implementation of a revised Code of Audit Practice. At the same time in 2015/16 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. Audit Scotland is responsible for setting the fees for audits undertaken on behalf of the Auditor General and Accounts Commission. A consultation will take place 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 the savings from the recent audit procurement exercise and future Audit Scotland efficiency targets will be combined to inform the setting of audit fees for the 2016/17 audits in the autumn.
 7. 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. On 31 March 2016 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.

8. This year we have progressed a review of our approach to auditing Best Value. The review is based upon a set of principles including:

- The essential elements of Best Value remain as relevant and critically important today as when it was first established;
- There is a real need for the pace, depth and continuity of improvement to increase across local government and driving improvement will be at the core of the audit process for Best Value;
- There can be no compromise on the importance of good governance in councils, including the need for effective scrutiny arrangements that contain the checks and balances which lie at the heart of our system of government;
- A proportionate and risk-based audit approach will be taken, but the Commission requires more frequent assurance on Best Value across all 32 councils;
- Audit work will have a strong focus on the quality of service experienced by the public and the outcomes achieved by councils for their communities.

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. The review work will continue with a view to introducing a new approach to audit of Best Value from October 2016.

9. 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.

10. This year, for the first time, we have put in place five-year approach to our work programme. The new five-year rolling programme, which we adopted following extensive consultation with stakeholders in March 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.

11. Each of our reports is followed up with an impact report. We published two such impact reports during 2015/16:

- *Procurement in councils* (published 8 February 2016; original audit report published April 2014)
- *Scotland's public sector workforce* (published 4 August 2015; original audit report published November 2013))

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.

12. 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 such bodies. 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.
13. We also test the effectiveness of our work through our Engagement Strategy, which we published in September 2015. 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.
14. 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.
15. We have made increasing use of electronic based formats for our publications, thus increasing the effectiveness and efficiency of our approach. In November 2015 we launched our new website, which is intended to help improve the effectiveness of our communications with stakeholders.
16. 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 2016