

EMBARGO not for publication or broadcast before 0001hrs on Friday 3 May 2002

CONTROLLER OF AUDIT REPORTS ON FIFE COUNCIL AND THIRD AGE GROUP

Given the level of public interest in Fife Council's financial involvement with the Third Age Group the Controller of Audit, Mr Ronnie Hinds, has prepared an independent report to the Accounts Commission. Mr Hinds' report draws on the findings of a report by the Councils' external auditors and highlights significant issues arising from the Councils dealings with the Third Age Group. A copy is being sent to the Council. The report:

1. Provides public assurance that the grants of £98,000 provided to the Group by the Council were, in all material respects, used for the purpose intended despite a lack of monitoring by the Council.
2. Identifies a series of procedural short-comings in the Council's financial and other involvement with the Third Age Group.
3. Says that despite the need for a further report following the Chief Executive's initial report, overall, the Council's governance procedures in dealing with this matter worked well.
4. Highlights the need for all councils to follow the key principles of the "Code of Guidance on Following the Public Pound". The Code states that councils should
 - be clear about the purpose that funds are being given for
 - set out how the money will be used and accounted for
 - ensure that proper monitoring arrangements are in place.

Audit Scotland has already announced that it will be conducting a national review of councils' involvement with arms-length organisations. In the meantime, councils are encouraged to identify and review their arrangements with arms-length bodies.

Mr Hinds says:

"There is sufficient evidence to conclude that the funds provided by the Councils were in all material respects used for the purpose intended. However, I share the auditors concerns both in relation to the lack of monitoring by the Council and in relation to the amounts paid in 1998/99 and 1999/2000 after the group's management committee had resigned. These amounts totaled £25,000."

Commenting on the governance arrangements Mr Hinds goes on to say:

"The overall approach adopted by the Council to address this matter, was appropriate in the circumstances. The process followed, involving the Chief Executive and the Standards and Audit Committee was, in my view, consistent with the principles of good corporate governance in dealing with a matter of this nature."

The matter will now be considered by the Accounts Commission. In the case of a public interest report the Commission can accept the report, request additional information, make recommendations, or hold a hearing and make recommendations. Because of the need to follow due process, it is not appropriate for the Controller of Audit or the Commission to make any further comment at this stage.

The Controller of Audit's report is available from the Audit Scotland website <http://www.audit-scotland.gov.uk>

**For further information please contact
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Notes to editors

1. The Accounts Commission for Scotland was set up in 1975 and is independent of both central and local government. The Commission ensures that local authorities, fire and police boards spend £9 billion of public money properly and wisely. The Accounts Commission appoints the external auditors of all Scottish Councils.
2. 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 Accounts Commission and the Auditor General for Scotland.
3. The Controller of Audit is an independent statutory officer who submits reports to the Accounts Commission on matters arising from the audit of local authority accounts in Scotland.
4. The Controller of Audit's report is made under s102 (2) of the Local Government (Scotland) Act 1973 and draws on the report prepared by the appointed auditors of Fife Council.
5. Mr Hinds' report is addressed to the Accounts Commission. The Commission has a discretionary power to hold a hearing to allow those involved to have their say or to seek clarification on specific issues.