

# **The Accounts Commission for Scotland**

## **Agenda**

**Meeting on Thursday 19 June 2014  
in the offices of Audit Scotland, 18 George Street, Edinburgh**

**The meeting will begin at 10.00am**

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 16 to 20 in private.
4. **Minutes of meeting of 15 May 2014.**
5. **Minutes of meeting of Financial Audit and Assurance Committee of 29 May 2014.**
6. **Minutes of meeting of Performance Audit Committee of 29 May 2014.**
7. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission on significant recent activity in relation to local government.
8. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
9. **Community Planning in Moray:** The Commission will consider a report by the Controller of Audit and the Auditor General for Scotland.
10. **Argyll and Bute Council:** The Commission will consider a report by the Controller of Audit.
11. **Housing and council tax benefits administration audit activity – annual report:** The Commission will consider a report by the Assistant Auditor General.
12. **Statutory performance information 2012/13: an evaluation of public performance reporting:** The Commission will consider a report by the Director of Performance Audit and Best Value.
13. **How councils work series:** The Commission will consider a report by the Secretary to the Commission.
14. **Annual Audit Scotland transparency and quality report:** The Commission will consider a report by the Assistant Auditor General.
15. **Appointment of auditors to integration joint boards:** The Commission will consider a report by the Assistant Auditor General.

***The following items are proposed to be considered in private:***

16. **Community Planning in Moray:** The Commission will consider the action it wishes to take on the report.
17. **Argyll and Bute Council:** The Commission will consider the action it wishes to take on the report.
18. **Accounts Commission annual action plan progress report and annual report:** The Commission will consider a report by the Secretary to the Commission.



19. **Progress with health and social care integration:** The Commission will consider a report by the Secretary to the Commission.
20. **Commission business matters:** The Commission will discuss matters of interest.



The following papers are enclosed for this meeting:

<b>Agenda Item</b>	<b>Paper number</b>
<b>Agenda Item 4:</b> Minutes of meeting of the Commission of 15 May 2014	AC.2014.6.1
<b>Agenda Item 5:</b> Minutes of meeting of the Financial Audit and Assurance Committee of 29 May 2014	AC.2014.6.2
<b>Agenda Item 6:</b> Minutes of meeting of the Performance Audit Committee of 29 May 2014	AC.2014.6.3
<b>Agenda Item 7:</b> Report by Secretary to the Commission	AC.2014.6.4
<b>Agenda Item 9:</b> Report by Controller of Audit and the Auditor General for Scotland	AC.2014.6.5
<b>Agenda Item 10:</b> Report by Controller of Audit	AC.2014.6.6
<b>Agenda Item 11:</b> Report by Assistant Auditor General	AC.2014.6.7
<b>Agenda Item 12:</b> Report by Director of Performance Audit and Best Value	AC.2014.6.8
<b>Agenda Item 13:</b> Report by Secretary to the Commission	AC.2014.6.9
<b>Agenda Item 14:</b> Report by Assistant Auditor General	AC.2014.6.10
<b>Agenda Item 15:</b> Report by Assistant Auditor General	AC.2014.6.11
<b>Agenda Item 18:</b> Report by Secretary to the Commission	AC.2014.6.12
<b>Agenda Item 19:</b> Report by Secretary to the Commission	AC.2014.6.13



**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**MINUTES OF PREVIOUS MEETING**

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Minutes of the meeting of the Accounts Commission  
held in the offices of Audit Scotland at  
18 George Street, Edinburgh, on  
Thursday, 15 May 2014, at 10.00am

**PRESENT:** Douglas Sinclair (Chair)  
Michael Ash  
Alan Campbell  
Sandy Cumming  
Colin Duncan  
Christine May  
Bill McQueen  
Linda Pollock  
Colin Peebles  
Graham Sharp  
Pauline Weetman

**IN ATTENDANCE:** Paul Reilly, Secretary to the Accounts Commission  
Fraser McKinlay, Controller of Audit and Director of Performance Audit  
and Best Value (PABV)  
Angela Canning, Assistant Director, PABV [Item 15]  
Antony Clark, Assistant Director, PABV [Items 7, 9, 11 & 12]  
Angela Cullen, Assistant Director, PABV [Item 14]  
Russell Frith, Assistant Auditor General [Items 13 & 16]  
Graeme Greenhill, Senior Manager, PABV [Items 8 & 15]  
Phil Grigor, Senior Manager, PABV [Items 7 & 9]  
Mark McCabe, Project Manager, PABV [Items 8, 10 & 11]  
Ronnie Nicol, Assistant Director, PABV [Items 8 & 10]  
Michael Oliphant, Project Manager, PABV [Item 14]  
Sarah Pollock, Project Manager, PABV [Item 15]  
Gordon Smail, Senior Manager, PABV [Items 7, 9 & 14]  
Owen Smith, Senior Manager, Audit Strategy [Item 16]  
Kirsty Whyte, Senior Performance Auditor, PABV [Item 15]



1. Apologies for absence

There were no apologies for absence.

2. Declarations of interest

The following declarations of interest were made:

- Michael Ash, in items 11 and 12, as a member of East Lothian Community Planning Partnership.
- Bill McQueen, in items 7 and 9, as a member of the board of the Scottish Fire and Rescue Service.
- Christine May, in item 6, as an adviser to opencast mining companies, and in items 11 and 12 as Vice-Chairman of Fife Cultural Trust.
- Colin Peebles, in items 7 and 9, as chair of Stirling, Falkirk and Clackmannan branch of Soldiers, Sailors, Airmen and Families Association (SSAFA) Forces Help.
- Linda Pollock, in items 11 and 12, a member of the board of the Care Inspectorate.

3. Decisions on taking business in private

It was agreed that items 9 to 17 should be taken in private as they contained draft reports and confidential issues.

4. Minutes of meeting of 14 April 2014

The minutes of the meeting of 14 April 2014 were approved as a correct record.

5. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Accounts Commission providing an update on significant recent activity in relation to local government and issues of relevance or interest across the wider public sector.

During discussion the Commission:

- Noted advice from the Secretary on recent changes to the political and officer leadership in Aberdeen City Council.
- In relation to paragraph 54 (Scottish Public Services Ombudsman), noted advice from the Secretary that the model complaints handling procedure had been adopted by Audit Scotland on the Commission's behalf in 2013.

Thereafter the Commission agreed to note the report.

6. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity, including meetings and discussions with stakeholders.

The Commission noted the Controller of Audit's report.

7. Community Planning in Falkirk

The Commission considered a report by the Secretary introducing the report of the audit of Falkirk Community Planning Partnership by the Controller of Audit and the Auditor General for Scotland, and seeking direction on how to proceed.



Following consideration, the Commission agreed:

- That future reports on the audit of community planning partnerships provide information on:
  - the dedicated support to the partnership
  - the composition of the board of the community planning partnership.

*Action: Controller of Audit*

- To note the report.
- To consider in private how to proceed.

8. Best Value audit (follow-up): Comhairle nan Eilean Siar

The Commission considered a report from the Secretary introducing the Controller of Audit's report on the progress made by Comhairle nan Eilean Siar against improvements previously required by the Commission.

Following consideration, the Commission:

- Noted advice from the Controller of Audit that he would consider making more explicit in future follow-up reports the actual progress of a council against any agreed improvement plan.

*Action: Controller of Audit*

- Agreed to note the report.
- Agreed to consider in private how to proceed.

9. Community Planning in Falkirk [*in private*]

The Commission agreed that this item be held in private to allow it to consider how to proceed in relation to a report by the Controller of Audit on the audit of Falkirk Community Planning Partnership.

Following discussion, the Commission:

- Agreed to make findings to be published in early course.
- Noted advice from the Controller of Audit that for each audit of community planning partnerships, it was the intention of the Auditor General for Scotland to write to the Chair of the appropriate health boards to ask them to formally consider the published report.

*Action: Secretary*

10. Best Value audit (follow-up): Comhairle nan Eilean Siar [*in private*]

The Commission agreed that this item be held in private to allow it to consider how to proceed in relation to a report by the Controller of Audit on progress made by Comhairle nan Eilean Siar against improvements previously required by the Commission.

Following discussion, the Commission agreed to make findings to be published in early course.

*Action: Secretary*



11. The Shared Risk Assessment process and Best Value audit work [in private]

The Commission agreed that this item be held in private to allow it to discuss confidential deliberations by the Quality and Consistency Review Panel as part of the shared risk assessment process.

The Commission considered a report by the Director of Performance Audit and Best Value updating the Commission on the 2014/15 shared risk assessment process and the Best Value audit activity for 2014/15 arising therefrom.

During discussion the Commission:

- Noted a verbal update from the Director on the outcome of the Quality and Consistency Review Panel's deliberations on the 2014/15 shared risk assessment process.
- Noted advice from the Director that, following discussion at the Commission's Strategy Seminar, he was considering how to make more effective use of Audit Scotland's Best Value toolkits, and he would share the toolkits with Commission members for information.

*Action: Director of Performance Audit and Best Value*

- Noted advice from the Director that he was continuing to develop proposals on a revised approach to auditing Best Value, upon which he would report to the Commission in due course.
- Agreed to endorse the proposed Best Value audit activity arising from the recent shared risk assessment process.

12. National Scrutiny Plan 2014/15 [in private]

The Commission agreed that this item be held in private to allow it to discuss confidential information in relation to the National Scrutiny Plan.

The Commission considered a report by the Director of Performance Audit and Best Value introducing the National Scrutiny Plan for Local Government 2014/2015 and its related commentary report.

Following discussion, the Commission endorsed the content of the National Scrutiny Plan and the covering report, subject to any changes arising from the Quality and Consistency Review Panel's deliberations on the 2014/15 shared risk assessment process being incorporated into the final documents.

13. Expectations of audit – feedback and next steps [in private]

The Commission agreed that this item be held in private to allow it to discuss the interim findings from the Expectations of audit project.

The Commission considered a report by the Assistant Auditor General providing feedback on the findings of the Expectations of audit exercise since the November Commission meeting and outlining plans for the next steps.

During discussion the Commission:



- Noted advice from the Assistant Auditor General that issues around the funding model used for Audit Scotland would be discussed by the Commission at a future meeting.
- Agreed that papers in relation to the project should ensure clarity about the respective roles in the public audit model.

*Actions: Assistant Auditor General*

Thereafter the Commission agreed to note the report.

14. Performance audit: Scotland's public finances: additional information [in private]

The Commission agreed that this item be held in private to allow it to discuss a draft report.

The Commission considered a report by the Director of Performance Audit and Best Value seeking approval of a checklist to be published with the joint Accounts Commission and Auditor General for Scotland performance audit report *Scotland's public finances: a follow-up audit* and its approach to engaging with councils.

Following discussion, the Commission approved the checklist, subject to the audit team considering a number of points raised in the discussion and consulting further with the sponsors of the performance audit, Bill McQueen and Pauline Weetman.

15. Performance audit – draft report: School education [in private]

The Commission agreed that this item be held in private to allow it to discuss a draft report.

The Commission considered a report by the Director of Performance Audit and Best Value proposing a performance audit report, *School Education*, and proposing arrangements for its publication and promotion.

During discussion the Commission agreed:

- That further thought be given to the most effective approach of ensuring chief executive input into, and interest in, project advisory groups.
- To approve the draft performance audit report *School Education* and the accompanying key messages document, subject to the audit team considering a number of points raised in discussion and consulting further with the sponsors of the performance audit, Linda Pollock and Graham Sharp.
- To delegate to the audit sponsors approval of a checklist for elected members.
- To approve the media strategy for the audit report as proposed in the Director's report.
- That this report be considered for follow-up work at an appropriate point.

*Actions: Director of Performance Audit and Best Value*

16. National Fraud Initiative: 2012/13 exercise [in private]

The Commission agreed that this item be held in private to allow it to discuss a draft report.



The Commission considered a report by the Assistant Auditor General setting out a draft report of the 2012/13 exercise for the National Fraud Initiative (NFI).

During discussion the Commission:

- Offered various comments on the draft report.
- Noted advice from the Assistant Auditor General that the published report would be circulated to councils, including chairs of audit committees.
- Noted the success of NFI in helping councils and other public bodies to detect and deter fraud and error.
- Endorsed for its interest the draft report.

17. Commission business matters [*in private*]

The Commission agreed that this item be held in private to allow it to discuss issues of a confidential nature relating to the operations of the Commission.

The Chair briefed the Commission on matters of interest.



**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF 29 MAY 2014**

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Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 18 George Street, Edinburgh on Thursday, 29 May 2014, at 10.30am.

**PRESENT:** Linda Pollock  
Graham Sharp  
Douglas Sinclair (in the Chair)

**IN ATTENDANCE:** Fiona Kordiak, Director of Audit Services  
Paul Reilly, Secretary to the Commission  
Russell Frith, Assistant Auditor General  
Paul O'Brien, Senior Manager, Audit Strategy [Item 8]  
Gordon Smail, Senior Manager, Performance Audit and Best Value (PABV) [Item 6]  
Owen Smith, Senior Manager, Audit Strategy [Item 5]



1. Apologies

It was noted that apologies for absence had been received from Colin Duncan, Bill McQueen and Pauline Weetman.

2. Declarations of interest

There were no declarations of interest.

3. Minutes of meeting of 27 February 2014

The Committee considered the minutes of the meeting of 27 February 2014.

Arising therefrom, the Committee:

- Noted the Accounts Commission's approval of the minutes at its meeting on 13 March 2014.
- In relation to paragraph 3, third bullet point (2012/13 local government pension fund accounts), noted advice from the Director of Audit Services that she and the Director of Performance Audit and Best Value were discussing with the Committee Chair how best to advise councils of the report.
- In relation to paragraph 4, first bullet point (integration of health and social care), noted advice from the Secretary that representatives of Highland Council, NHS Highland and the Scottish Government would be at the June meeting of the Commission to discuss progress in Highland and with the issue in general.
- Further in relation to paragraph 4, first bullet point (integration of health and social care), agreed that regular information be provided to the Commission on appointments and governance models being adopted across all council areas, including comparative analysis as appropriate.

*Action: Director of Performance Audit and Best Value*

4. Current audit issues in councils

The Committee considered a report by the Director of Audit Services outlining emerging issues, recurring themes and individual issues of interest in Scottish councils and joint boards.

During discussion it was agreed:

- That a progress report on the social care ALEO of Aberdeen City Council be provided at the next meeting.
- That a report on the problems relating to the new build housing estate in Gorebridge, Midlothian, be provided at the next meeting.

*Actions: Director of Audit Services*

- Advice from Douglas Sinclair was noted that he had received correspondence on issues relating to equal pay in North Lanarkshire Council, which he had asked Audit Scotland to deal with on his behalf.

Thereafter the Committee noted the report.

5. Annual audit plans overview

The Committee considered a report by the Assistant Auditor General informing the Committee of the types and prevalence of risks being identified by local auditors following his review 2013/14 council annual audit plans.



Following discussion, the Committee agreed:

- To note advice from the Assistant Auditor General on the importance of consistency and read-across between the shared risk assessment and annual audit processes.
- To note the outcomes of the review of annual audit plans and the nature and prevalence of risk identified by local auditors; in particular the ongoing widespread concerns around the financial sustainability of council budgets and the planned auditor actions to address these.
- That the findings from 2013/14 annual audit reports on these risk areas be reported back to the Committee in February 2015.

*Action: Assistant Auditor General*

6. Local government overview report: approach

The Committee considered a report by the Director of Performance Audit and Best Value providing an update on the initial impact of the 2014 local government overview report and inviting the Committee to discuss the approach to the next overview report including the oversight of the process by the Accounts Commission.

Following discussion, the Committee agreed:

- To note the initial impact of the 2014 overview report.
- To note that the team will continue to engage with stakeholders on the report.
- That for the next overview report, the audit team work with two nominated sponsors and the Commission Chair.
- That further discussion take place in due course between the audit team, sponsors and the Chair on the format of the next report.

*Actions: Director of Performance Audit and Best Value & Secretary*

7. How councils work series

The Committee considered a report by the Secretary seeking its views on future subjects for the *How councils work* series of reports

Following discussion the Committee agreed:

- To note stakeholders' favourable perception of the series, as demonstrated in a survey of council leaders, audit committee chairs and chief executives.
- That, in addition to those subjects identified in the report, the following be recommended as potential subjects for future reports in the series:
  - Roles and working relationships, particularly around:
    - training and development and performance appraisal for elected members
    - elected member involvement in partnership working.
  - Sustainability
  - Services in relation to personal debt and financial inclusion.

*Action: Secretary*

- Noted that the Director of Performance Audit and Best Value, was considering, following discussion at the Commission's Strategy Seminar, how to make more effective use of Audit Scotland's Best Value toolkits, and he would share the toolkits with Commission members for information.



- To note that its views, together with those of the Performance Audit Committee, would be formally considered by the Commission.

8. Accounting and auditing update

The Committee considered a report by the Assistant Auditor General advising of recent accounting and auditing developments affecting the public sector, particularly local government in Scotland.

Following discussion the Committee agreed to note the report.

9. Annual audit in focus: a firm's perspective – a presentation by David Watt, Director, KPMG

The Chair welcomed David Watt, Director, KPMG, to the meeting, who delivered a presentation to the Committee illustrating the annual audit process from an auditing firm's perspective. In his presentation, he covered:

- His reflections on the conduct and status of the audit
- Issues arising from the planning of the audit
- The future development of the audit
- Issues arising from the audit worthy of further thought.

The Chair thanked David Watt for his presentation.

10. Any other business

The Committee noted that there was no other business to be considered.



**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**MINUTES OF MEETING PERFORMANCE AUDIT COMMITTEE OF 29 MAY 2014**

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Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of Audit Scotland, 18 George Street, Edinburgh on Thursday, 29 May 2014, at 2pm.

PRESENT: Douglas Sinclair (Chair)  
Mike Ash  
Alan Campbell  
Colin Peebles

OTHER COMMISSION  
MEMBERS PRESENT: Graham Sharp [Item 6]

IN ATTENDANCE: Paul Reilly, Secretary to the Commission  
Gillian Battison, Project Manager, Performance Audit and Best Value (PABV) [Item 6]  
Angela Cullen, Assistant Director, PABV [Items 4, 6 and 7]  
Claire Sweeney, Senior Manager, PABV [Item 7]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 27 February 2014
4.	Update on Performance Audit programme and <i>How Councils Work</i> series
5.	<i>How Councils Work</i> series
6.	Performance audit: scope – Borrowing and treasury management
7.	Performance audit impact reports: (a) Reducing reoffending (b) Health inequalities
8.	Any other business



1. Apologies for absence

It was noted that apologies for absence had been received from Sandy Cumming and Christine May.

2. Declarations of interest

Mike Ash declared an interest in item 7 as a member of the Board of NHS Lothian, Chair of East Lothian Community Health Partnership and member of East Lothian Community Planning Partnership.

3. Minutes of meeting of 27 February 2014

The minutes of the meeting of 27 February 2014 were approved as a correct record.

4. Update on Performance audit programme and *How Councils Work* series

The Committee considered a report by the Director of Performance Audit and Best Value providing an update on progress made during 2013/14 and 2014/15 on the performance audit programme and the *How Councils Work* series. The report also provided information on development work to support the work programme of the Performance Audit and Best Value team.

During discussion, the Committee agreed that scrutiny partners be involved in discussions on the performance audit programme.

Thereafter the Committee noted the update report and agreed to extend future update reports to the whole PABV work programme.

*Actions: Director of Performance Audit and Best Value*

5. *How Councils Work* series

The Committee considered a report by the Secretary seeking its views on future subjects for the *How councils work* series of reports

Following discussion the Committee agreed:

- To note stakeholders' favourable perception of the series, as demonstrated in a survey of council leaders, audit committee chairs and chief executives.
- To note the views expressed by the Financial Audit and Assurance Committee.
- To note that these views would be formally considered by the Commission.

6. Performance audit: scope – Borrowing and treasury management

The Committee considered a report by the Director of Performance Audit and Best Value seeking approval of the approach to the performance audit on *Borrowing and treasury management in councils*.

Following discussion, the Committee approved the approach outlined in the Director's report and the supporting issues and investigations matrix, subject to the audit team addressing the issues raised in discussion, in conjunction with the audit sponsors.

7. Performance audit impact reports: (a) Reducing reoffending; and (b) Health inequalities

The Committee considered a report by the Director of Performance Audit and Best Value seeking its consideration of impact reports on two performance audits published during 2012/13, namely *Reducing reoffending in Scotland* and *Health inequalities in Scotland*.



During discussion, the Committee agreed:

- To note advice from Claire Sweeney on the themed work by the Scottish Parliament's Health and Sport Committee on health inequalities, including a short inquiry on early years
- To recommend to the Commission that the potential of follow-up work be explored as part of its consideration of the performance audit programme at its 'workshop' event on 21 August 2014.
- That such consideration include the desirability of breaking down the theme into smaller issues, including, for example, drug and alcohol services
- To note advice from Claire Sweeney on ongoing work by the Care Inspectorate and Health Improvement Scotland on
  - strategic commissioning plans of health and social care integration joint boards

*Action: Director of Performance Audit and Best Value*

Thereafter the Committee noted both impact reports.

8. Any other business

The Committee noted that there was no other business to be considered.



**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**REPORT BY SECRETARY TO THE ACCOUNTS COMMISSION**

**UPDATE REPORT**

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**Introduction**

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. Further, detailed news in relation to local government activity is provided in the weekly media digests produced by Audit Scotland's Communications Team and provided to Commission members alongside Commission meeting papers.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

**Commission business**

***Recent reports***

4. The [Scotland's public finances: progress in meeting the challenges](#) report was published 5 June 2014. The report has attracted a reasonable level of media coverage so far in the Herald, Scotsman, Times and Courier which focussed largely on the state of Scotland's finances in the context of the independence referendum (taken from a line within the publication itself). The key messages were reported. The Royal College of Nursing and the British Medical Association also issued responses. Local commercial radio also covered the report and carried interviews with John Swinney and Iain Gray.
5. On 29 May 2014, a report on the [Falkirk Community Planning Partnership](#) was published. Similar to other CPP reports it attracted very limited media coverage – only one relatively short piece in the Dundee Courier. The report did, however, spark local political debate arising from Falkirk Council's news release which highlighted the positive aspects of the report. In response, the non-aligned group Independent group released its own separate release criticising the administration's failure to recognise more critical comments in the report and the Commission's findings.
6. There was local media coverage of the [The Audit of Best Value and Community Planning - Comhairle nan Eilean Siar: A follow-up report](#) (published 27 May 2014). It was reported by the West Highland Free Press and the Stornoway Gazette, supplemented by a measured news release from the Comhairle. It also prompted some activity and welcoming responses on Twitter following the Commission's first tweet in Gaelic in the name of the Coimisean nan Cunntasan.



7. The Commission's joint report with the Auditor General, Self-directed support, is to be published on 12 June 2014.

### **Other business**

8. On 28 May 2014, the Chair of the Commission gave a [presentation](#) to the [Procurement in Public Services Scotland - Capita Conference](#). The full [Delegate Pack](#) contains materials from the event including presentations by all speakers.
9. The Chair of the Commission has been invited to attend a meeting of the Parliament's Public Audit Committee on 25 June 2014 in relation to the Account Commission's 2014 overview of local government report.
10. He has also been invited to attend a meeting of the Local Government and Regeneration Committee on 13 August 2014 to give oral evidence on the 2014 overview of local government report.
11. On 10 June 2014, the Chair attended a meeting of the National Community Planning Group. The main two items of business were a presentation on joint resourcing by George Black (Chief Executive, Glasgow City Council and Chair, SOLACE) and Robert Calderwood (Chief Executive, NHS Greater Glasgow and Clyde); and a paper on 'Prevention, Joint Resourcing and Community Engagement'.

### **Auditor General for Scotland:**

12. The [Accident and Emergency Performance Update](#) report (published 8 May 2014) generated widespread coverage across broadcast and print on publication day and also subsequently at First Minister's Questions, the Public Audit Committee, new ISD statistics and the Scottish Government's announcement of £30m investment in its action plan for emergency care. Coverage largely reflected the report's key messages. All political parties, as well as the British Medical Association and Royal College of Nursing, issued press releases on the report calling for action or improvements in light of the report's recommendations. In addition, Audit Scotland's Angela Canning and Catherine Young were invited to present the report to a meeting of the Audit Committee of NHS Forth Valley NHS (6 June 2014).

### **Audit Scotland:**

13. Audit Scotland published on 12 June its [annual review for 2013/14](#). The review is a summary of its statutory annual report and accounts. The review is web-based and has a range of interactive features. A similar model will be used for the Accounts Commission annual report, which features on today's agenda.
14. A [Briefing Note](#) (3 June 2014) summarising the key characteristics of the new [Regulation \(EU\) No 537/2014](#) and [Directive 2014/56/EU](#) (published 27 May 2014) on audit reform has been prepared. The new [Directive](#) and [Regulation](#) are aimed at statutory auditors and audit firms. Together, they form the legislative package for audit reform in the EU. The Directive amends the Statutory Audit Directive and the Regulation contains specific requirements regarding the statutory audit of public-interest entities (PIEs).
15. Audit Scotland's monthly [Hotlist of emerging/ developing audit risks](#) for auditors has been updated for the period to the end of May 2014. There has been no change to the content since April.



## Issues affecting local government

### **Scottish Government:**

16. On 3 June 2014, the Scottish Government published the [Education Working For All! Commission for Developing Scotland's Young Workforce Final Report](#). This is the final report of the Commission which established in January 2013 and is chaired by Sir Ian Wood. The report makes a series of recommendations aimed at supporting the development of vocational education and widening employment opportunities for young people in Scotland. More details of the Commission's work, including the full report, are available on the Scottish Government's [website](#).
17. The Scottish Government published the responses to its recent consultation on proposals regarding carers' legislation, [Carers Legislation - Consultation on Proposals: Responses](#) (14 May 2014).
18. The Scottish Government is hosting a series of 'Digital Roadshows' throughout June, in Glasgow, Edinburgh and Inverness, on the delivery of public services. The roadshows are aimed at heads of service, business and service Managers, and ICT managers with responsibility for setting priorities to deliver digital transformation within public sector organisations. The roadshows will cover:
  - Scottish Wide Area Network (SWAN) - single shared network and common ICT infrastructure for the whole of Scotland's public sector;
  - mygovscot - 'one stop shop' for digital public services;
  - myaccount - secure and easy sign-in to online services;
  - data management; and
  - data hosting and data centres.

### **Parliamentary Committee News:**

#### *Local Government and Regeneration Committee:*

19. The Committee published on 4 June 2014 its [7th Report, 2014 \(Session 4\): Annual Report 2013 – 2014](#). The report covers the Committee's work during the parliamentary year from 11 May 2013 to 10 May 2014 – the third year since its establishment following the beginning of the fourth Session of the Scottish Parliament (11 May 2012).
20. At its meeting of 4 June 2014, the Committee agreed to consider the following items of business in private at future meetings, namely:
  - its approach to the Air Weapons and Licencing (Scotland) Bill;
  - its approach to forthcoming legislation on community empowerment; and
  - its approach to its scrutiny of the Scottish Government's 2015/16 draft budget.
21. In addition, also at the meeting, the Committee completed its consideration of the Defective and Dangerous Buildings (Recovery of Expenses) (Scotland) Bill at Stage 2.
22. On 28 May, the Committee took evidence on the Budget Strategy Phase 2015-16. It considered and agreed its draft annual report for the parliamentary year 11 May 2013 to 10 May 2014, as well as correspondence from the Rural Affairs, Climate Change and Environment Committee in relation to its approach to the consideration of climate change issues and agreed not to appoint a climate change reporter.



23. At its meeting of 21 May, the Committee continued its investigation into Flexibility and Autonomy of Local Government. It heard evidence from elected members from various political parties and councils. The Committee considered the Delivery of Regeneration in Scotland and the Draft Third National Planning Framework (NPF3) and Review of Scottish Planning Policy (SPP). Also at this meeting, the Committee considered its approach to forthcoming legislation and noted it was likely to be designated committee for the Stage 1 consideration of the Air Weapons and Licencing (Scotland) Bill.

*Public Audit Committee:*

24. It was reported in the press (8 June 2014) that Hugh Henry, convener of the Committee, said he would be asking the Auditor General for an update on whether any truly "exceptional circumstances" had triggered the use of the Special Reserve in relation to the Commonwealth Games. It has been reported that the Games £46m general contingency fund had been exhausted and Special Reserve fund was being utilised.
25. At its 11 June meeting, the Committee is due to consider the Section 23<sup>1</sup> report on the Auditor General for Scotland's and Accounts Commission report, *Scotland's public finances - A follow-up audit: Progress in meeting the challenges*. It will hear evidence from: Caroline Gardner, Auditor General for Scotland (AGS); Angela Cullen, Assistant Director, and Gordon Smail, Senior Manager, Audit Scotland, and consider its approach. The Committee will consider its approach to correspondence received by the Scottish Government and Audit Scotland on the Section 23 report, *Accident and Emergency: Performance update*. It will also consider a draft report on the joint AGS and Accounts Commission report entitled, *Reshaping care for older people*. Also at this meeting, the Committee will consider responses from HM Revenue and Customs, the National Audit Office, Scottish Government and the Auditor General for Scotland to its report, *Framework for auditing the Scottish rate of income tax*.
26. At its meeting of 28 May meeting, the Committee considered evidence on the Section 23 report *Modern apprenticeships* by the Auditor General for Scotland. The Committee took evidence from Fraser McKinlay, Director, Graeme Greenhill, Senior Manager, and Gill Miller, Senior Performance Auditor, Audit Scotland. The Committee agreed to write to Skills Development Scotland on issues raised in discussion. Also in private session, the Committee also considered the Scottish Government's *Major Capital Projects progress update* March 2014. It agreed its approach to correspondence from the Scottish Government and the Auditor General for Scotland.
27. Other Section 23 reports considered at this meeting included:
- *Renewable energy*: it agreed to note correspondence from the Scottish Government in relation to the Auditor General for Scotland's report.
  - *Scotland's colleges 2013*: it considered responses from the Scottish Government, the Scottish Funding Council and the Auditor General for Scotland to the report. The Committee agreed to write to the Scottish Government on issues raised in discussion.
  - *NHS financial performance 2012/13; and Management of patients on NHS waiting lists - audit update*: it considered a draft report on the Auditor General for

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<sup>1</sup> The Auditor General for Scotland (AGS) reports to the Public Audit Committee under Section 23 of the Public Finance and Accountability Act on economy, efficiency and effectiveness of public sector bodies (excluding local government).



Scotland's reports. Various changes to the report and arrangements for its publication were agreed.

28. On 14 May, the Committee considered the Section 23 report *Accident and emergency - Performance update*. It took evidence on the AGS report from Caroline Gardner, Auditor General for Scotland, Tricia Meldrum, Senior Manager, and Catherine Young, Project Manager, Audit Scotland. The Committee agreed to request written evidence from Audit Scotland on issues raised in discussion. The Committee agreed to write to the Scottish Government on issues raised in discussion.
29. At this meeting, the Committee considered the Section 22 report, *The 2012/13 audit of North Glasgow College: Governance and financial stewardship*. It took evidence on the AGS report, from Caroline Gardner, Auditor General for Scotland; Mark MacPherson, Senior Manager, and Martin Walker, Assistant Director, Audit Scotland; and Chris Brown, Partner, Scott Moncrieff. The Committee agreed to receive written evidence from Audit Scotland on issues raised in discussion. The Committee agreed to write to Glasgow Kelvin College on issues raised in discussion. In private session, the Committee agreed to defer consideration of its draft report on the AGS's Section 23 reports, *NHS financial Performance 2012/13; and Management of patients on NHS waiting lists - audit update* to a future meeting.
30. Over the past month the Committee has published the following reports. More details of these reports can be found on the [Committee Reports page](#) of the Scottish Parliament's website:
  - [5th Report, 2014 \(Session 4\): Report on NHS financial performance 2012/13 and Management of patients on NHS waiting lists - audit update](#) (3 June 2014).
  - [4th Report, 2014 \(Session 4\): Annual Report 2013-14](#) (2 June 2014).
  - [3rd Report, 2014 \(Session 4\): Report on Police reform](#) (13 May 2014).

*Infrastructure and Capital Investment Committee:*

31. The Committee completed its consideration of the Housing (Scotland) Bill at Stage 2 (Day 3) at its 28 May meeting. The Bill had previously been considered at the meetings of 21 and 14 May. Also on 14 May, Committee considered and agreed its approach to a review of progress on the implementation of the 2012 homelessness commitment.
32. The Committee published its [5th Report, 2014 \(Session 4\): Annual Report 2013-14](#) (2 June) which covers the Committee's work during the parliamentary year between 11 May 2013 and 10 May 2014.

*Finance Committee:*

33. The main items of business at the Committee's recent meetings have been the ongoing series of [Evidence Sessions](#) on Scotland's Public Finances Post-2014. At the 4 June meeting, members heard evidence from Professor Andrew Hughes Hallett, University of St. Andrews; Gemma Tetlow, Institute for Fiscal Studies; and Ben Thomson, Reform Scotland. Other items of business considered at this meeting, were the Children and Young People (Scotland) Act 2014 and nominees for appointment to the Scottish Fiscal Commission.
34. At its 21 May 2014 meeting, it took evidence from Professor David Simpson, Economist and Author; and Professor Jeremy Peat, Visiting Professor, International Public Policy Institute, University of Strathclyde.



35. In addition, the Committee published its [4th Report, 2014 \(Session 4\): Annual Report 2013-14](#) (4 June 2014). The report covers the Committee's work over the parliamentary year from 11 May 2013 to 10 May 2014. Major areas of its work included the annual budget process, financial powers arising from the Scotland Act 2012 and consideration of financial memoranda accompanying Bills.

*Public Petitions Committee:*

36. At its meeting of 4 June, the Committee considered [PE1488](#) by Pete Gregson, on behalf of Kids not Suits, on whistleblowing in local government. It agreed to close the petition, under Rule 15.7, on the basis that the petition is about policies that are matters for locally elected representatives. It noted that the Accounts Commission and Audit Scotland is responsible for auditing these policies and, to date, they have not identified any weaknesses related to whistleblowing which have required to be flagged-up in the annual report for a local authority. Previously, the Committee had considered the petition, [PE1488](#) at the 20 May 2014 meeting and agreed to defer consideration of the petition to its next meeting. The Committee published the [letter](#) from Audit Scotland (15 April 2014) in response to the Committee's letter of 19 March 2014 in relation to the petition.
37. The Committee published its [2nd Report, 2014 \(Session 4\): Annual Report 2013-2014](#) (2 June 2014). It covers the work of the Committee over the parliamentary year from 11 May 2013 to 10 May 2014. During the reporting period, 40 new petitions were lodged.

*Justice Committee:*

38. At its meeting of 10 June, the Committee considered the [Courts Reform \(Scotland\) Bill](#): at Stage 2 (Day 1). Also considered at this meeting, was a Justice Sub-Committee on Policing report on its work covering the Police and Fire Reform (Scotland) Act 2012 first year of operation of the and the Committee's its initial approach to the scrutiny of the Scottish Government's Draft Budget 2015-16
39. The Committee published its [7th Report, 2014 \(Session 4\): Annual Report 2013-14](#) (3 June 2014). The report covers the work of the Committee during the parliamentary year, 11 May 2013 to 10 May 2014.

*Justice Sub-Committee on Policing:*

40. On 29 May, the Sub-Committee considered a draft report to the Justice Committee on its work in the first year of the operation of the Police and Fire Reform (Scotland) Act 2012. The report was agreed following various changes. Also in private session, the Sub-Committee considered its work programme. It agreed to write to Police Scotland and the Scottish Police Authority seeking further information on the decision to allow a number of armed response vehicle officers to carry sidearms.

*Welfare Reform Committee*

41. On 11 June 2014, the Committee published its [4th Report, 2014 \(Session 4\): Interim Report on the New Benefit Sanctions Regime: Tough Love or Tough Luck?](#) This interim report sets out the Committee's findings and recommendations on the new benefit sanctions regime. Its key finding is that benefit sanctions can lead to a spiral of decline, potential homelessness and act as barriers to people getting back to work. The report states that evidence presented to the Committee showed that the loss of



income that sanctions can lead to is now twice the maximum that can be imposed in fines by the courts, with 79 people in Scotland in receipt of the maximum 3 year sanction. Four in ten decisions to apply a sanction are overturned. The Committee calls for an urgent review of the current operation of the sanctions regime.

42. The Committee published its [\*3rd Report, 2014 \(Session 4\): Annual report 2013-2014\*](#) on 2 June 2014. This report covers the Welfare Reform Committee's activities over the parliamentary year 11 May 2013 to 10 May 2014.

*Bills – Progress Updates:*

43. The [\*Buildings \(Recovery of Expenses\) \(Scotland\) Bill\*](#) (formerly [\*Defective and Dangerous Buildings \(Recovery of Expenses\) \(Scotland\) Bill\*](#)) is due to be debated at Stage 3 by Parliament on 19 June 2014. The Local Government and Regeneration Committee (lead committee) considered the Bill at Stage 2 on 4 June 2014.
44. The Finance Committee (lead committee) considered the [\*Revenue Scotland and Tax Powers Bill\*](#) at Stage 2 on 11 June 2014. Stage 2 consideration of the Bill is due to be completed on 27 June 2014. The Finance Committee is continuing its series of Evidence Sessions.
45. The Infrastructure and Capital Investment Committee (lead committee) completed Stage 2 consideration of the [\*Housing \(Scotland\) Bill\*](#) on 28 May 2014. Stage 3 amendments are now being lodged.
46. Stage 1 of the [\*Disabled Persons' Parking Badges \(Scotland\) Bill\*](#) was completed on 20 May 2014. Stage 2 is due to be completed by 13 June 2014. The Local Government and Regeneration Committee is the lead committee.
47. The Justice Committee considered the [\*Courts Reform \(Scotland\) Bill\*](#) at Stage 2 (Day 1) on 10 June 2014. Stage 2 consideration will be completed by 27 June 2014.
48. The [\*Criminal Justice \(Scotland\) Bill\*](#) is currently being considered at Stage 2 – a completion date has not yet been considered. The Justice Committee (lead committee).
49. The Government Bill, [\*Air Weapons and Licensing \(Scotland\) Bill\*](#) was introduced by Kenny MacAskill MSP on 14 May 2014. The Local Government and Regeneration Committee is lead committee. A Stage 1 completion date has yet to be scheduled.

***COSLA, Improvement Service etc.:***

50. The COSLA Leaders Group met on 14 May 2014. Major items of business considered at the meeting included Health and Social Care Integration: Regulations and Guidance; the work of the Commission for Developing Scotland's Young Workforce; Fiscal Empowerment and Financial Framework; Local Government Settlement 15/16 – Distribution; and the Review of COSLA's Constitution. The next meeting of the Leaders Group is scheduled for 29 August 2014. The COSLA Convention is due to meet on 27 June 2014.

***Current activity and news in local government:***

*Current Issues:*

51. On 29 May 2014, the Local Government Boundary Commission for Scotland launched a [\*Public consultation on councillor numbers \(part of Fifth Reviews of Electoral\*](#)



[Arrangements](#)). This deadline for submissions is 21 August 2014. The Commission had undertaken previous consultation with councils on its proposals. Each council's response is published with the proposals on the Commission's interactive [website](#) which also includes a [Consultation Portal](#) which allows the proposals to be viewed on a map and comments to be submitted. Also available are a [News Release on the consultation](#) in addition to all [meeting papers leading up to the publication of these proposals](#).

52. As part of its ongoing campaign against the public sector pay cap and other national campaign issues, the Public and Commercial Services (PCS) union is balloting civil service and public sector members across the UK on potential coordinated strike action, with other public sector unions, to take place on 10 July 2014. The non-statutory consultative ballot seeks members' support for strike action and for the national campaign plan and runs from 12 June until 30 June. The current ballot is consultative only, as the previous national industrial action ballot (March 2013) continues to provide a legal mandate for PCS action on the issue. More details on the ballot are available on the PCS [website](#).

*Individual councils:*

53. The following paragraphs highlight current activity and news occurring in local government over the previous month as well as developing issues. The items are drawn from a range of sources including news articles, websites and media summaries. Some of the more significant issues are highlighted in the following sections.
54. On 6 June 2014, the Scottish Government announced that a judge-led public inquiry will be held into the Edinburgh trams project.

*People and Appointments:*

55. On 28 May 2014, Dundee City Council chief executive David Dorward announced his intention to retire in November.
56. Stewart Carruth was appointed as the new chief executive of Stirling Council on 28 May 2014.

## **Scrutiny and Inspection Bodies**

*Scottish Housing Regulator:*

57. On 10 June 2014, the Scottish Housing Regulator published the [Inquiry Report: Stirling Council](#). This targeted scrutiny work arose from Stirling Council's Assurance and Improvement Plan (AIP) 2013/16 which identified concerns around the council's performance in relation to current tenants' rent arrears. The inquiry report found a number of weaknesses in the management of tenants' rent arrears, as well as recent evidence of improvement action. An effective response to deliver identifiable performance improvements is required. The findings of this scrutiny work will inform the AIP for 2014/17 and SHR will continue to monitor performance in this area to ensure that its proposed recovery plan is effective in reducing its tenants' rent arrears.

*Care Inspectorate:*

58. The Care Inspectorate published the [Caring for People at Home](#) report, (30 May 2014) which reviewed the operation and performance of care services at home between



2010 and 2013. It found that in 2012/13, 39.2 per cent of all care at home services in Scotland achieved the highest grade at their most recent inspection, an increase on the 2010 figure of 29.2 per cent. However, the percentage of care at home services graded unsatisfactory or weak also increased.

59. On 30 May 2014, the Care Inspectorate published two reports of joint inspections services for children and young people carried out in January and February 2014, namely:
- [\*Services for children and young people in Stirling\*](#): Of nine quality indicators, four were rated as 'good' and four 'adequate.' One indicator, "assessing and responding to risks and needs," was rated 'weak'. Key areas for improvement included the process for assessing risks to vulnerable children and young people.
  - [\*Services for children and young people in Clackmannanshire\*](#): Three of nine quality indicators, were rated 'good' and five 'adequate.' One indicator, "assessing and responding to risks and needs," was found to be 'weak'. Key areas for improvement included the process for assessing risks to vulnerable children and young people.

*Education Scotland:*

60. Education Scotland has published the [\*Validated self-evaluation for West Dunbartonshire Council\*](#) (20 May 2014). Inspectors concluded that the overall quality of the council's self-evaluation was accurate and robust. Selected themes demonstrated a strong focus on improving the lives of learners, particularly the most disadvantaged. There are clear linkages to key council and Community Plan objectives. Continuing improvement work will be delivered through a new Local Partnership Agreement between Education Scotland and West Dunbartonshire Council.

*Commissioner for Ethical Standards in Public Life in Scotland:*

61. During the period January – April 2014, the [\*Commissioner\*](#) made decisions on 27 complaints against councillors according to the Councillors' Code of Conduct, of which three were deemed to be breaches, seven were deemed to be no breaches and 17 were not pursued. There were no complaints outwith jurisdiction or withdrawn. Details of the complaints and decisions can be viewed on the [\*website\*](#). The Commissioner refers breach cases to the [\*Standards Commission for Scotland\*](#) to investigate.

*Standards Commission for Scotland:*

62. During Quarter 1, the [\*Standards Commission\*](#) concluded three investigations relating to complaints against councillors (referred from [\*Commissioner\*](#)). Of these, two resulted in suspensions and a third, in censure. The detailed complaints and decisions are available on the Commission's website.

**Other UK Audit Bodies**

*National Audit Office:*

63. The National Audit Office (NAO) published on 9 June 2014 its [\*Annual Report and Accounts 2013-14\*](#). During 2013/14, 427 accounts were certified, 66 value for money reports were published, 60 hearings of the Committee of Public Accounts were supported and the cost reduction target was exceeded. The report states that NAO recommendations helped government to improve public services, and led to audited savings of almost £1.1 billion.



64. On 2 June 2014, the [Major Projects Authority Annual Report 2013-14](#) was published. This note updated the Committee of Public Accounts on developments since the publication of the NAO's previous report, [Major Projects Authority Annual Report 2012-13 and government project assurance](#) (February 2014), in particular, the release of the Authority's second annual report on 23 May 2014.
65. In addition, the NAO has published on 28 May 2014 a leaflet, [The NAO's role in local audit](#) which outlines its responsibilities in the new framework for the audit of local bodies. It provides information on its new role, examples of its recent value for money work focused on local services, and contact details for feedback and questions.

#### *Audit Commission:*

66. The Audit Commission published a briefing entitled, [Managing Council Property Assets: Using Data from the VFM Profiles](#) (5 June 2014). The report estimated the value of the local government estate in England at £169.8 billion. The value has fallen by a third since 2004/05, but includes £2.5 billion of 'surplus' assets. Councils should ensure they have a strategic approach to managing these assets, in order to achieve best value for money they can from the local government estate.

### **Westminster**

#### *Public Accounts Committee:*

67. The Chair of the Public Accounts Commission, Margaret Hodge MP, released a statement on 6 June 2014 to coincide with the publication of the NAO report, [Maintaining strategic infrastructure: roads](#). The report concluded that the lack of predictability of funding for highways authorities has practical implications for road networks and may result in increased costs in the long term. In her statement, she expressed frustration that the Department for Transport still did not have control of the long-term funding of road maintenance and improvement works. She stated her view that current short-termism will lead to increased costs as the work needed becomes more significant and roads deteriorate.
68. On 5 June 2014, the Public Accounts Committee held an evidence session for the Committee's inquiry into the Major Projects Authority. The session explored the issues raised in the NAO report into the Major Projects Authority, [Major Projects Authority Annual Report 2013-14](#).

### **Information and Intelligence**

69. On 10 June 2014, The Joseph Rowntree Foundation published its third [Referendum briefing: Poverty and Work in Scotland](#). The briefing examined trends in Scotland's labour market, their potential impact in reducing poverty, and the challenges that a more 'work-rich' society would pose for a post-referendum Scotland.
70. Also by the Joseph Rowntree Foundation, [Closing the Attainment Gap / Scottish Education](#) was published on 7 May 2014. Key findings included there is a significant and persistent attainment gap between richer and poorer children in Scotland, despite an overall increase in school standards. Children from low income backgrounds achieve less in education, are more likely to be unemployed and earn less than their peers.
71. The Financial Reporting Council (FRC) produced a [Financial Services Council Briefing Note](#) (22 May 2014). The note, by Russell Frith, outlines the FRC's recently begun



project to review and revise its Ethical Standards for Auditors as part of its priority to restore confidence in the value of audit is available. The FRC will undertake a public consultation on the draft revised standards later in 2014. The Accounts Commission will input into this consultation.

## **Conclusion**

72. The Commission is invited to consider and note this report.

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**11 June 2014**



**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**COVER NOTE BY SECRETARY TO THE COMMISSION**

**COMMUNITY PLANNING IN MORAY**

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**Purpose**

1. The purpose of this report is to introduce for the Commission's consideration the report of the audit of community planning in Moray. The report is by the Controller of Audit and the Auditor General for Scotland.

**Background**

2. In 2011, the Cabinet Secretary for Finance, Employment and Sustainability, John Swinney, asked the Accounts Commission to prepare an outline case of how external audit and inspection might support the delivery of better outcomes by Community Planning Partnerships (CPPs).
3. At its meeting on 17 May 2012, the Commission endorsed a proposed approach to the audit of community planning. On 29 June 2012, this approach was shared with the Cabinet Secretary. Subsequent feedback from Scottish Government officials and the minister's office on the proposals was positive.
4. Aberdeen City, North Ayrshire, and the Scottish Borders community planning partnerships agreed to participate in three early audits to be done by the Commission and the Auditor General for Scotland. These audits took place during 2012. At its meeting on 14 February 2013, the Commission agreed to make findings on the reports in conjunction with the Auditor General. The reports were published on 20 March 2013.
5. At the same time a national overview report was published which drew on the common messages emerging from these three reports together with Audit Scotland's insights and conclusions drawn from its previous Best Value audit work in local government, police and fire, previous performance audits on partnership working (e.g. Community Health and Care Partnerships) and earlier national reports on community planning.
6. At its meeting on July 2013, the Commission considered the report of an independent evaluation of the three CPP audits. At its subsequent meeting on 22 August 2013, the Commission agreed its response to the evaluation. At its meeting on 12 September 2013, the Commission endorsed a proposed CPP audit programme for 2013/14. The programme consists of five audits of community planning partnerships, namely:
  - Falkirk
  - Glasgow
  - Moray
  - Orkney
  - West Lothian

There will also be a national report to accompany the publication of the five reports.

7. The first of these, for Glasgow, was published on 30 April. The second, Falkirk, was published on 29 May. This third report for Moray is submitted to the Commission today for its consideration.



## **The report**

8. The report is made under section 102(1)(a) of the Local Government (Scotland) Act 1973 (as amended by various subsequent pieces of legislation including the Local Government in Scotland Act 2003).
9. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
  - a) the accounts of local authorities audited under the Act;
  - b) any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
  - c) the performance by a local authority of their statutory duties in relation to best value and community planning.
10. The report is made jointly with the Auditor General for Scotland, who makes the report under Section 23 of the Public Finance and Accountability (Scotland) Act 2000.

## **Consideration of the report**

11. The Controller of Audit and members of the audit team from Audit Scotland will be present at the Commission meeting to answer questions.
12. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
  - a) direct the Controller of Audit to carry out further investigations;
  - b) hold a hearing;
  - c) state its findings.
13. If the Commission considers that it requires further information to proceed with its consideration of the report, it may direct the Controller of Audit to carry out further investigations. If the Commission is satisfied with the information which it has, it may wish to proceed to make findings unless members consider that a hearing is necessary. If the Commission chooses to reach findings, then the report will be published jointly between the Commission and the Auditor General.
14. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.

## **Conclusion**

15. The Commission is invited to:
  - consider the report by the Controller of Audit and the Auditor General on the audit of community planning in Moray; and
  - decide how it wishes to proceed.

**Paul Reilly**  
**Secretary and Business Manager**  
**10 June 2014**



# Moray Community Planning Partnership



Prepared for the Accounts Commission and the Auditor General for Scotland  
June 2014



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.



# Contents

Key messages .....	4
Background .....	5
What is Moray CPP aiming to do? .....	10
How well is Moray CPP run? .....	14
How well does Moray CPP use resources? .....	20
How is Moray performing? .....	26
Improvement agenda .....	39
Appendix 1: Methodology .....	41



# Key messages

- 1. Over the past year, Moray CPP has made important improvements in the way it carries out its role. After many years of limited progress in establishing effective arrangements for community planning in Moray, the partnership is now starting to provide stronger leadership. It is showing a willingness to take on difficult issues, but many of these developments are still at an early stage and it is too early to tell if they will be successful. It is therefore important that the partnership sustains this recent pace of change.**
- 2. Moray CPP now has a clearer strategic direction. It has identified economic development as an over-riding priority, necessary for addressing its over-dependence on military employment. In addition, an Area Based Review has given Moray CPP a much better understanding of the strategic challenges facing the area and the needs of local communities. This has been used to develop a ten-year plan, which provides a greater focus on local priorities and improving outcomes.**
- 3. Over the past year, there have also been improvements in the way that Moray CPP is run. The board is starting to provide leadership for partnership working in Moray and to discuss important strategic issues. However, it still has some issues to resolve in terms of further developing its leadership and challenge role and improving its working arrangements. Its revised structure of supporting theme groups and proposed new approach to performance management and scrutiny look sound. But it will be some time before these changes will be fully established and are able to demonstrate that community planning has had an impact in improving the lives of people living in Moray.**
- 4. There are good examples of partnership working within Moray. Most are the result of national policies or local initiatives between individual organisations, rather than the result of direction from Moray CPP. Many areas of partnership working are now being brought under the oversight of Moray CPP, but the board needs to take a clearer lead in driving further partnership working. The board has started to address the need to align partners' resources to community planning priorities, and it now needs to reach agreement on this difficult area.**
- 5. The lack of performance monitoring makes it difficult to assess the impact of community planning in Moray. However, the information that is available suggests that progress has been made in a number of important areas, particularly school attainment levels and the training and employability levels of the workforce. There is also evidence to show some success in diversifying the local economy, with a shift in jobs from the public to the private sector. In general, people living in Moray are healthy, but the CPP has not been successful in tackling specific local health issues of alcohol abuse, obesity, and smoking.**



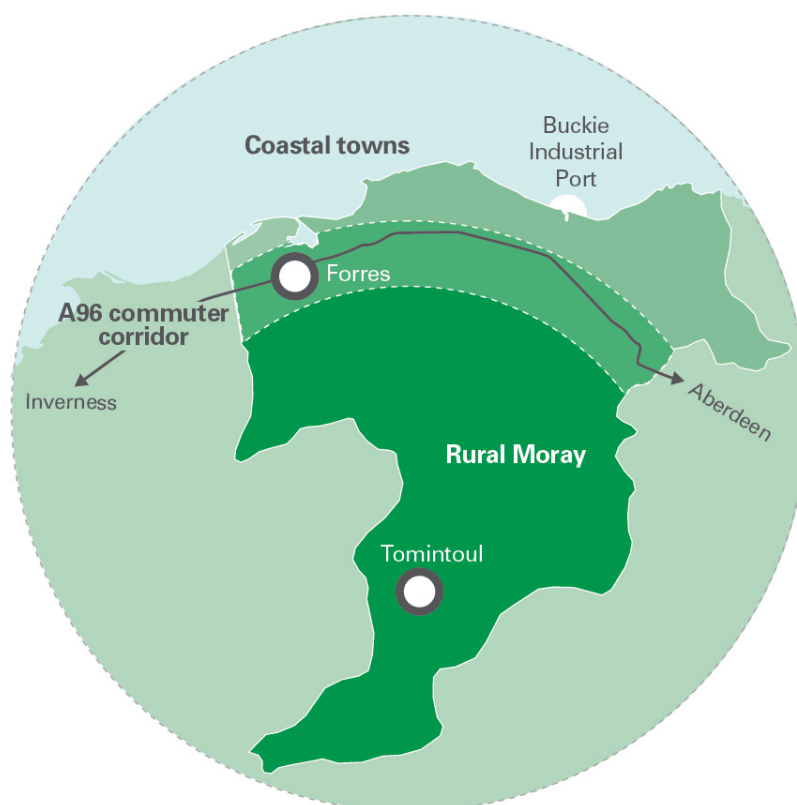
# Background

## Moray

1. Moray, situated between Aberdeenshire and Highland, comprises three main areas (which [Exhibit 1](#) shows):
  - A coastal region, including the industrial port of Buckie.
  - An urban section consisting of towns such as Elgin and Forres along the A96 commuter corridor to Inverness and Aberdeen.
  - A large rural area stretching down the Spey valley from Rothes to Tomintoul and beyond.

### Exhibit 1

#### The three main areas of Moray



Source: Audit Scotland

2. As might be expected for a relatively prosperous area, Moray contains a very low proportion of Scotland's most deprived areas. It contains 116 of the geographical areas or datazones used to compile the Scottish Index of Multiple Deprivation (SIMD). Of these, none was in the 15 per cent most deprived datazones in Scotland in 2012 ([Exhibit 2](#)). There are some areas of

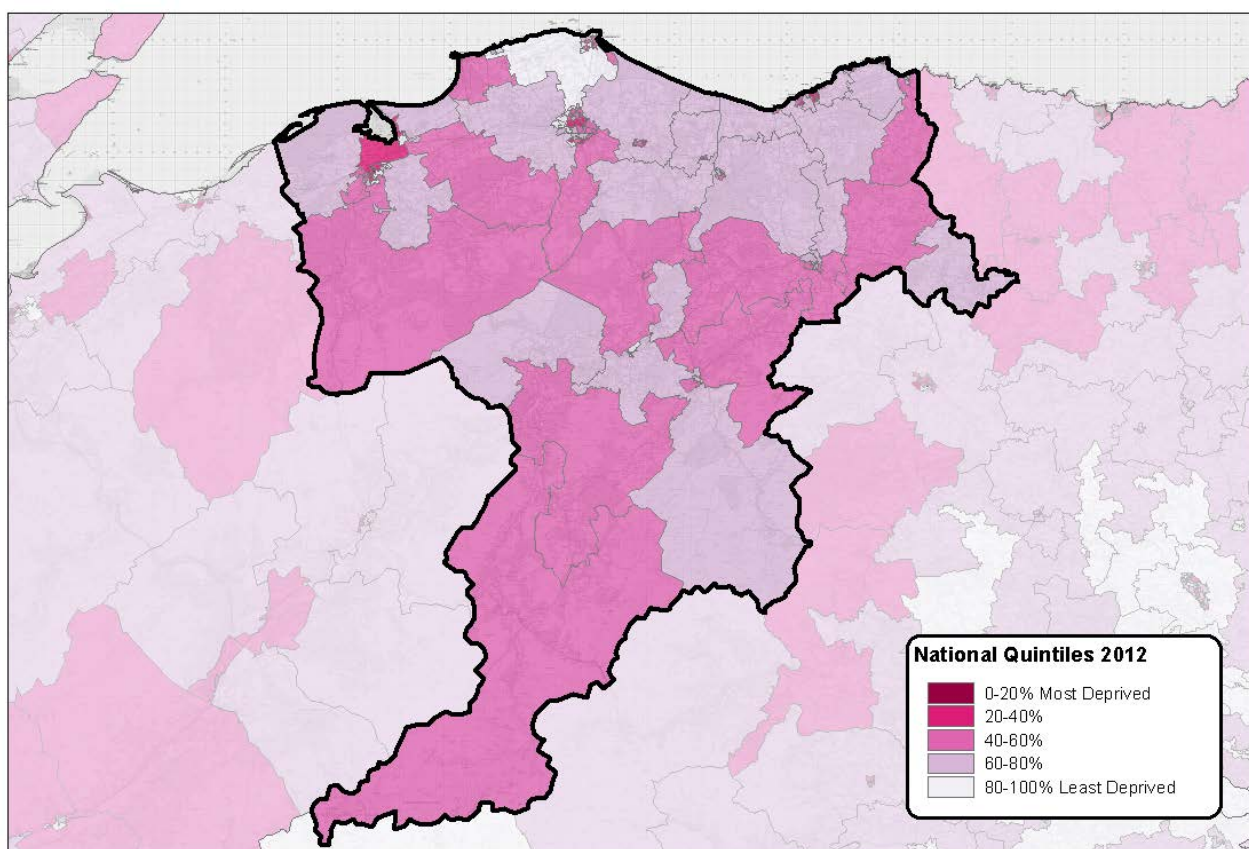


relative deprivation within Moray, but these are largely restricted to small pockets of Forres, Buckie and Elgin.

3. Some caution is needed when using SIMD data to assess the level of deprivation in a rural area such as Moray. SIMD datazones tend to highlight deprivation where it is concentrated in specific urban areas. In a rural area, deprivation can be spread thinly across many zones. This is a particular challenge for public sector organisations in identifying where they should focus efforts.

### Exhibit 2

#### Affluent and deprived areas in Moray



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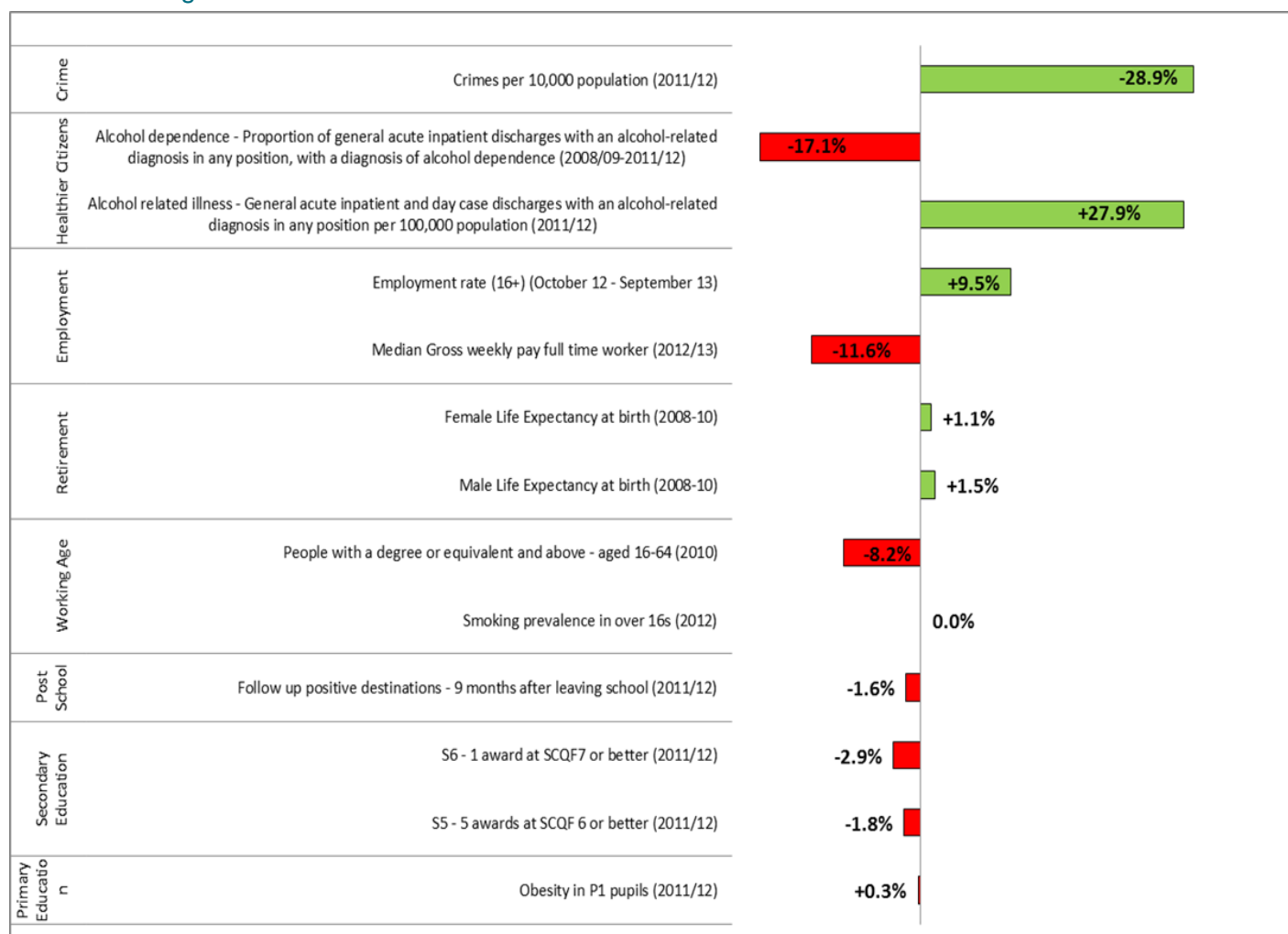
Source: Scottish Government: Scottish Index of Multiple Deprivation (SIMD) 2012

4. However, by analysing more detailed indicators (see [Exhibit 3](#)) we have confirmed the overall picture of prosperity that the SIMD data present. Many indicators show Moray to be a good place to live compared with many other parts of Scotland. Life expectancy and employment, for example, are above the Scottish average, and crime levels are low. Performance is more mixed in some other areas: fewer people living in the area are educated to degree level or above and education attainment is slightly below the Scottish average. There are also local concerns about alcohol misuse and a low-wage economy. But, overall, Moray compares well with many other areas.



### Exhibit 3: Strengths and challenges in Moray

Comparison of selected indicators that identify what makes Moray a good place to live as well as specific problems, showing Moray against the Scottish average. Green is better and red is worse than the average.



Source: Audit Scotland analysis of national data

5. Within this overall picture, some significant issues in Moray need to be addressed. An analysis of the individual components used to calculate the overall SIMD score, shows that many people living in Moray are classified as being deprived in terms of their ability to access services, such as closeness to schools or medical services. Thirty two of Moray's SIMD datazones, representing over a quarter of its population, are in Scotland's 15 per cent most deprived areas for access to services. This is not particularly surprising, given the rural nature of much of Moray. But it does represent a challenge for delivering public services to a population that is thinly spread over a relatively large area.
6. Moray's employment rate of 78.3 per cent is higher than the Scottish average of 70.8 per cent. But the area does face significant economic challenges. For many years, it has had a low-



wage economy. Gross weekly earnings of full time employees residing in the area are £453<sup>1</sup>, significantly below the Scottish average of £498. More recently, it has faced uncertainty over the future of major military bases in the area, with the threatened closure of RAF Kinloss and RAF Lossiemouth. In the short term, this has been partly offset by the relocation of an army base. However, there has been increasing recognition that the area's economy needs to diversify and to become less reliant on military bases and public sector employment.

### Community planning partnerships

7. Community Planning Partnerships exist in all 32 local authority areas in Scotland to coordinate and improve the planning and delivery of public services in an area. They aim to improve outcomes, such as life expectancy and employment prospects, for people living within their areas and reduce inequalities. They bring together:

- the public sector, including councils, health boards, police and fire services, housing associations and colleges
- the third sector, for example charities and voluntary groups
- the private sector, such as local businesses.

They include voluntary groups that operate at a local scale through to regional public bodies that operate across several CPPs. The Moray CPP has been in existence since 2001.

8. Following the Christie Commission report in 2011, the Scottish Government reviewed community planning.<sup>2</sup> In March 2012, the Scottish Government and the Convention of Scottish Local Authorities agreed a Statement of Ambition, setting out their expectations for community planning.<sup>3</sup> This looks forward to CPPs becoming the focus for improving public services at a local level.
9. Various ongoing changes in how public services are delivered affect community planning partnerships. These include:
- the formation of national police and fire services
  - the integration of health and social care services
  - the reform of Scotland's colleges
  - the recent announcement of the abolition of community justice authorities.

All of this is taking place within the context of falling public sector budgets.

### About the audit

10. In 2012, the Scottish Government asked the Accounts Commission to lead audits of individual CPPs to assess their performance. During 2012/13, Audit Scotland reviewed three community

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<sup>1</sup> Moray's figure for gross weekly earnings does not include military employees.

<sup>2</sup> Commission on the Future Delivery of Public Services, Dr Campbell Christie (Chair), June 2011

<sup>3</sup> Statement of Ambition for Community Planning, Scottish Government and COSLA, March 2012



planning partnerships.<sup>4</sup> Our audit of the Moray CPP is one of five that Audit Scotland is conducting during 2013/14.<sup>5</sup> We carried out the audit shortly before Moray agreed its new ten-year plan for community planning.

11. This is a joint report prepared by the Controller of Audit and the Auditor General for Scotland under section 102(1)(c) of the Local Government (Scotland) Act 1973 (as amended) and Section 23 of the Public Finance and Accountability (Scotland) Act 2000 respectively.
12. The objectives of the audit were to assess the following:
  - To what extent has Moray CPP set a clear strategic direction, agreed by all partners, that reflects Moray's needs? (Part One).
  - Are Moray CPP's governance and accountability arrangements appropriate and do they allow it to improve outcomes for local people? (Part Two).
  - To what extent does Moray CPP encourage collaborative behaviour among staff and use its resources, including money, staff and property, to deliver joint priorities and outcomes? (Part Three).
  - How well is Moray CPP delivering the outcomes contained in its Single Outcome Agreements (SOAs) and is reporting these clearly and accurately to the public? (Part Four).<sup>6</sup>
13. Appendix 1 outlines our approach to the audit. As part of the audit, we reviewed in detail two themes particularly relevant to Moray, economic development and the impact of alcohol abuse; to assess the effectiveness of partnership working in the area.

<sup>4</sup> Aberdeen City CPP, North Ayrshire CPP, Scottish Borders CPP

<sup>5</sup> The five community planning partnership audits are Falkirk, Glasgow City, Moray, Orkney Islands and West Lothian. Audit Scotland has previously published three national reports on community planning; *Improving community planning in Scotland*, March 2013; *The role of community planning partnerships in economic development*, November 2011; and *Community planning: an initial review*, June 2006.

<sup>6</sup> A Single Outcome Agreement is a document setting out local priorities for a council area as agreed by the community planning partners and the Scottish Government.



# What is Moray CPP aiming to do?

**Moray CPP has recently established a clear strategic direction. It has identified economic development as its over-riding priority. In addition, an Area Based Review has given Moray CPP a much better understanding of local trends and needs. This has now been used to develop a ten-year plan, which provides a greater focus on local priorities and improving outcomes.**

**In previous years, SOAs have not provided a clear strategic direction, but Moray CPP has now developed a much clearer vision and ten-year plan which reflects local priorities**

14. Single Outcome Agreements (SOAs) were introduced nationally in 2007 as part of the Concordant between the Scottish Government and COSLA. In 2008, these became the main planning documents for community planning. CPPs should use them to outline their strategic priorities, expressed as local outcomes, stating how they would contribute to the Scottish Government's National Performance Framework. Since 2008, Moray has had a series of SOAs. However, these have contained significant gaps and weaknesses. They have tended to follow closely a national template and set of priorities, with no clear statement of what matters most for people living in Moray. There has, for example, been virtually no reference to the difficulty of accessing services in such a rural area. Moreover, the SOAs have tended simply to reflect the existing strategies of local organisations, rather than provide a vision that covers all of them and helps them focus on joint priorities. The current SOA, developed in 2013, also contains some significant gaps, particularly in analysing past performance and setting future performance targets. As such, it does not provide a clear strategic direction for community planning within Moray.
15. Over the past year, Moray CPP has placed a greater emphasis on developing a more local set of priorities. Prompted by the threats to the RAF bases at Kinloss and Lossiemouth, it quickly agreed that the most important issue for community planning in Moray should be encouraging a sustainable and diversified local economy. This clarity about a single over-riding priority marks a significant change for community planning in Moray.
16. The partnership has gone on to develop a more structured, evidence-based, assessment of the priorities for Moray. Initially under the leadership of Moray Council, a comprehensive Area Based Review has been carried out. By drawing on a wealth of local and national data, this has sought to provide a wide-ranging summary of the challenges facing Moray and the opportunities it has to develop. This review process has steadily gained the support of all partners. It has also helped to get elected members more involved in community planning, giving them a broad picture of Moray as a whole, rather than individual ward issues. And it has shown the potential of partnership working to help meet the area's needs.



**Exhibit 4****Moray's five priorities and some of their main objectives****A growing and diverse economy**

- Increasing the number of business start-ups
- Increasing the proportion of the workforce employed in the private sector
- Increasing the average weekly wage
- Increasing the proportion of households with next-generation broadband
- Increasing the proportion of school leavers in positive destinations
- Increasing the proportion of the workforce who are graduates

**Safer communities**

- Reducing the number of accidental house fires
- Reducing crime levels

**Healthier citizens**

- Reducing the number of adults who smoke
- Reducing the number of adults who are obese
- Reducing the number of people in hospital with an alcohol dependence

**Ambitious and confident children and young people**

- Reducing the proportion of low-weight births
- Increasing the proportion of babies breastfed
- Increasing S6 attainment levels
- Reducing the teenage pregnancy rate
- Reducing the number of children living in households that depend on benefits

**Adults living healthier, sustainable, independent lives and safeguarded from harm**

- Reducing the proportion of people aged over 65 who are in permanent care
- Increasing the proportion of people who receive intensive care at home
- Reducing the proportion of households in fuel poverty

*Source: Ten-year plan, Moray 2023 A Plan for the Future*

17. The partnership has used the detailed analyses from the Area Based Review to develop a ten-year plan for community planning in Moray. This has the potential to provide a much more meaningful framework for driving action and resources for partnership working. It retains the high-level priorities of earlier SOAs, but focuses more sharply on the specific issues that affect people living in Moray (see [Exhibit 4](#)). For example, there is more emphasis on issues such as rural access to services, broadband, obesity, and alcohol abuse. A wide range of targets also relate to diversifying the local economy, such as increasing:

- the number of graduates in the workforce
- the numbers employed in the private sector



- the numbers of people employed in science and technology.
18. The ten-year plan also places a greater emphasis on outcomes rather than processes. Previous SOAs focussed on inputs and management processes. Targets tended to focus on implementing various strategies rather than their impact on the people living in Moray. The ten-year plan sets out clear targets for each issue that the CPP is trying to tackle. Some of these focus on activities, such as upgrading the trunk roads leading to Aberdeen and Inverness. But these are matched with targets that focus on long-term outcomes, such as increasing Moray's Gross Domestic Product or its average weekly wage.
19. There are still some gaps and weaknesses in the ten-year plan. For example, despite presenting evidence of recent increases, it has no targets for reducing the number of people killed or seriously injured on Moray's roads,. Similarly, although the plan shows a strong link in Moray between alcohol abuse and violent crime, it has no target for reducing these. Overall, however, the ten-year plan represents a marked improvement on the SOAs of earlier years, with a much more convincing analysis of local issues and a strong focus on outcomes.

### **Moray CPP is still at an early stage in influencing the strategic priorities for partner organisations and tackling difficult issues such as inequalities and prevention**

20. Although Moray CPP now has a ten-year plan in place, it still has some difficult issues to resolve. Historically, for example, Moray's community plans and SOAs simply reflected the existing plans of individual partners, rather than influencing their priorities. The ten-year plan does represent a fresh approach, with all partners stating their commitment to its priorities. The partnership needs to keep up the pace of progress and ensure all partners see the ten-year plan as the overall plan for Moray. The plan needs to guide the work of the partnership groups - the groups responsible for delivering the local priorities - and how they share resources, such as funds and expertise.
21. Moray CPP still has to develop a clear approach to prevention. The ten-year plan contains a commitment to the principles of preventative working, identifying the need for a partnership approach and an assessment of costs and benefits. But it has no specific proposals or any programme of preventative work. It refers to initiatives such as Getting It Right for Every Child (GIRFEC) and the Early Years Collaborative, but these are the result of national policies rather than community planning in Moray. Reaching agreement on funding of preventative work will provide a strong test of Moray CPP's leadership. It will involve persuading partner organisations to shift funds from existing activities, even though it may be some years before any benefits are realised.
22. Moray CPP also needs a clear approach to inequalities. This is particularly difficult in such a rural area, where inequalities are spread thinly, making it difficult to monitor. Inequalities are not concentrated in particular communities, although there is a project to develop a community hub in the South Lesmurdie area of Elgin, to provide a base for meetings, training and employment initiatives. Again, the ten-year plan contains a broad commitment to the principle of tackling inequalities. But it does not quantify the scale of the issues, or indicate which



aspects are the most pressing concern for Moray. Nor does it have direct proposals for reducing them. It does, for example, set targets for increasing school attainment levels and improving people's health. But these targets are for Moray as a whole, with no specific focus on deprived families or individuals.

## Recommendations

- Moray CPP needs to build on recent improvements by:
  - Ensuring that its ten-year plan influences the strategic priorities of individual partners and helps drive joint working and shared resources.
  - Reviewing the plan periodically to ensure that it continues to reflect local priorities and contains relevant targets.
  - Ensuring that the ten-year plan is supported by a clear and agreed delivery plan that sets out the specific actions partners will take, with timescales and resources.
- Moray CPP should develop and implement a clear prevention plan, with specific proposals and targets for monitoring their effectiveness.
- Moray CPP needs to develop specific proposals on how it intends to tackle inequalities and targets for monitoring their effectiveness.



# How well is Moray CPP run?

Over the past year, there have been improvements in the way that Moray CPP is run. There are signs that the board is now starting to provide leadership for partnership working in Moray and to discuss important strategic issues. However, it still has some important issues to resolve in terms of further developing its leadership and challenge role and improving its working arrangements. Its revised structure of five supporting partnership groups and proposals for a new approach to performance management and scrutiny look sound. But, until the new ten-year plan is fully implemented, these have yet to be tested.

**The CPP Board has streamlined its membership, allowing it to take on a more strategic role.**

23. In the past, the CPP Board had a wide membership, often including middle managers or substitutes. This made it difficult for it to act as a strategic decision-making board, with many representatives effectively attending as observers or unable to speak authoritatively on behalf of their organisations. In addition, with several councillors sitting as members, some partners viewed the board as being an extension of Moray Council rather than a genuine partnership.
24. There are now signs that the CPP Board is in a better position to provide genuine leadership for partnership working in Moray. During 2013, membership of the board was streamlined significantly. While the board is still chaired by the Leader of Moray Council, the number of councillors sitting on the board has been reduced, while still retaining cross party representation. In addition, membership from other organisations has been limited to a core of:
  - NHS Grampian
  - Highland and Islands Enterprise
  - Police Scotland
  - Scottish Fire and Rescue Service
  - Moray's third sector interface (tsiMoray), representing the voluntary sector,
  - Skills Development Scotland
  - Moray College
  - Highlands and Islands Transport Partnership (HITRANS).

All board members are now councillors, non-executives or senior managers, who have the seniority and authority needed to contribute meaningfully to strategic discussions and decisions.



**The CPP Board is becoming more effective but it needs to resolve some important issues in terms of membership and working arrangements.**

25. After many years of being ineffective, there are now signs that the CPP Board is starting to provide leadership for partnership working within Moray and to show a willingness to make decisions on difficult issues. For much of 2013, board discussions largely focused on internal matters. These included arrangements for developing a new vision and ten-year plan, establishing a new structure of partnership groups to support its work, and seeking to reach agreement on constitutional matters and administrative support.
26. There are signs that the board's role is now steadily evolving. Increasingly, meetings are more outward-looking, concerned with strategic issues that are relevant to people living and working in Moray. The partnership has identified economic development as the over-riding priority for Moray. This has been helped by the steady progress of the Area Based Review and the development of a ten-year plan that provides a focus for partnership working and improving outcomes. Recent meetings have also discussed the Early Years Collaborative, the destination of school leavers in Moray, and progress reports from the Public Protection Partnership and the Children and Young Peoples Partnership.
27. The CPP Board still needs to resolve important aspects of its working arrangements. Agendas are still very long with many items for noting rather than decision-making. Apart from funding for its Citizens' Panel, the board has no specific administrative budget, so meetings can be bogged down requesting partnership funding for relatively trivial sums. It also has limited administrative support. This is mostly provided by Moray Council, particularly its corporate policy unit manager and its community planning and development manager.
28. Perhaps more fundamentally, some partners still feel that board meetings are run in the same manner as council committees. To some extent this has been due to the location of meetings. Initially, these were held in the council chambers but, more recently, are now being hosted by other partners. However, board agendas are still largely set by Moray Council, and partners feel they have little opportunity to shape the content of meetings.
29. Moray Council has been the dominant partner in the community planning process over the last decade and during the development of the new ten-year plan. This is similar to most CPPs, and reflects its statutory duty to lead community planning. The process of developing the ten-year plan has now resulted in a greater level of commitment by all CPP partners. It has also focused attention on the need for CPP partners, other than the council, to take greater responsibility for the actions needed to deliver the priorities in the ten-year plan. The partnership needs to build on this, to ensure no one partner is seen to dominate, and that partners instead take joint responsibility for making the partnership effective.
30. The CPP Board has shown it is willing to improve its arrangements and to look for guidance from other organisations. It has, for example, looked at the governance structures of other CPPs, in Stirling and Edinburgh. As a result, it is planning to establish a senior managers group to help implement decisions made by the CPP Board. Similarly, it is asking Scotland's



local government Improvement Service to help how it runs meetings and its underlying governance arrangements.

**The CPP Board is now starting to discuss potentially difficult issues, but it needs to reach agreement on these and take on a genuinely strategic role.**

31. CPPs are expected to identify the local resources available to them and help direct these to local priorities. Moray CPP needs to take a more strategic role in coordinating partner organisation's work and resources, such as skills, funds, equipment and buildings. It is starting to consider the total resources of the public sector within Moray and how these could be directed towards community planning priorities. Many partners have competing national and local priorities, so these discussions are at an early stage, with no firm proposals or agreement.
32. There is also scope for the CPP Board to play a greater strategic role in other areas. All of Moray's public sector organisations are facing reduced budgets and need to make savings. Recent examples include the closure of some libraries and withdrawing funding for traffic wardens. There is scope for the board to help identify where partnership working could deliver new ways of doing things and help reduce the impact of cuts on the people who use public services. Similarly, there is scope for the board to take a greater role in identifying areas of good practice in partnership working and encouraging their roll-out to other areas in Moray. Examples of good practice would include sharing assets, such as buildings and equipment.

**A revised structure of partnership groups has still to be fully established, but it should help Moray CPP oversee the operational partnerships and how public service reforms are being implemented locally.**

33. The partnership has made significant changes to the groups that support the board. In the past, these were based on the six Scottish Government outcome themes. There are now five partnership groups, overseeing the existing operational partnerships established within Moray. This better reflects local priorities (see [Exhibit 5](#)). It is early days, but these new arrangements have the potential to improve the oversight and coordination of the various operational partnerships. Moray CPP has also formed a Community Engagement Group, signalling the importance it now places on consulting local communities and involving them in the delivery of some services. Overall, this structure looks sound. In addition, the board looks to be well placed to maintain oversight of how important public service reforms are being implemented in Moray. For example, the Moray Community Health and Social Care Partnership forms one partnership group, and the remit of the Public Protection Partnership (PPP) covers police and fire and rescue services and criminal justice matters.
34. These partnership groups are at different stages of development. Two predate the revised arrangements for community planning in Moray. The Moray Economic Partnership (MEP) was formed in June 2011 in response to the threatened closures of RAF Kinloss and RAF Lossiemouth. The Moray Community Health and Social Care Partnership, which is about to be replaced by the emerging Moray Health and Social Care Partnership, has also been in existence since 2004. Both of these groups have relatively well established governance

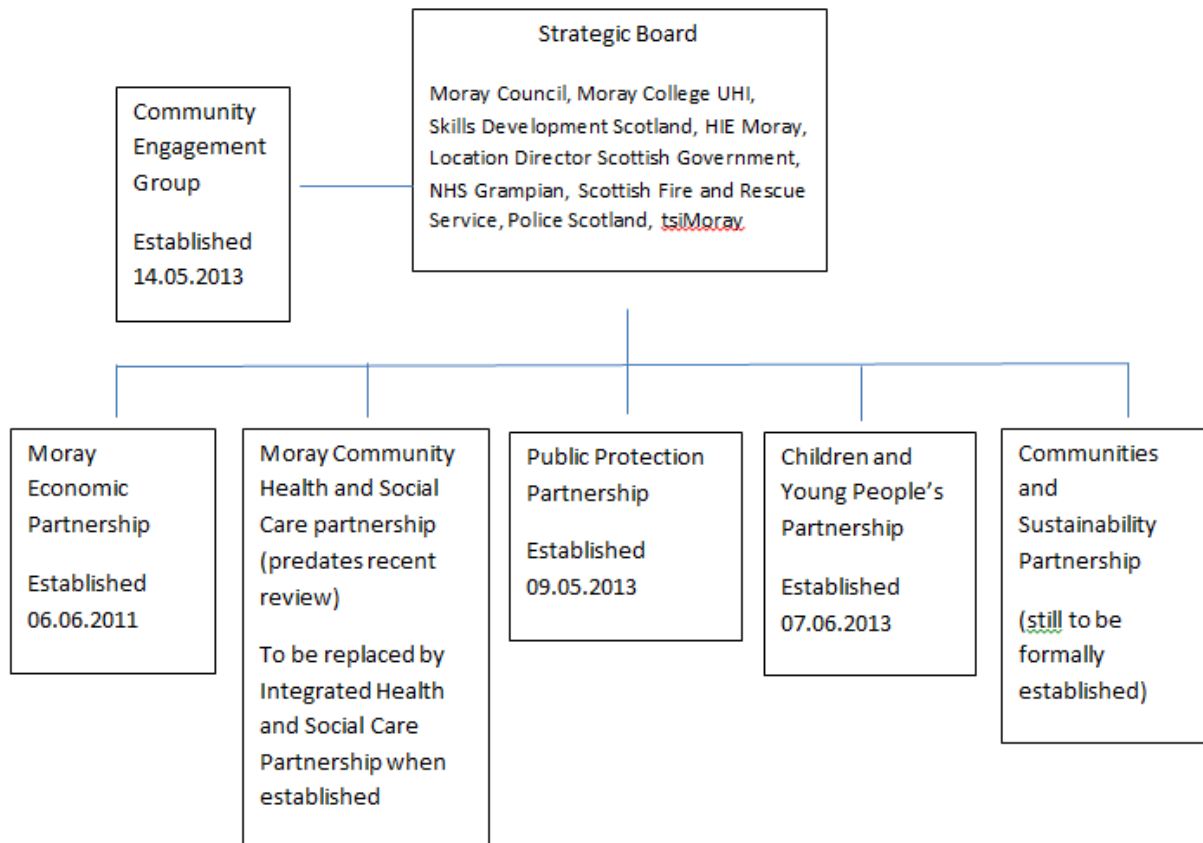


arrangements. The MEP, for example, has assigned individual board members to oversee specific strands, such as Tourism and Culture and Inward Investment and Business Growth. Each strand has a programme manager, focused on operational delivery and business and councillor representation.

## Exhibit 5

### The community planning governance structure in Moray

Revised partnership groups now sit under the Moray CPP Board.



Source: Audit Scotland, 2014

35. The other partnership groups have still to fully establish their governance and reporting arrangements. The Communities and Sustainability Partnership has still to be formally established. Most groups have draft action plans but these pre-date approval of the ten-year plan. The CPP Board needs to ensure that future plans link more closely with Moray CPP's ten-year strategy.

**A lack of performance management in earlier years is now starting to be addressed, but a revised approach still needs to be rationalised and implemented.**

36. The Statement of Ambition for community planning states that CPPs "*must be genuine boards*" and "*will be expected to hold all partners to account for their contribution to local*



*planning and delivery of those plans*". An important aspect of this is establishing a performance management framework that will allow:

- the board to monitor progress in implementing the SOA over the short, medium and long term
- partners to hold each other to account for their progress in implementing the SOA.

37. In recent years, Moray CPP has carried out very little monitoring of its effectiveness and the impact of community planning on improving the lives of people living in the area. We found this culture was only beginning to change. Since 2011, the CPP Board has not received any monitoring reports from its supporting partnership groups. Instead, the board's monitoring of performance has been limited to annual SOA reports, with significant gaps in the information available and an emphasis on management processes and inputs rather than outcomes. Where these limited annual performance reports have formed part of the board's agenda, they have generated very little discussion. As recently as January 2014, the board received a monitoring report on the 2013/14 SOA but this simply provided a high-level summary of progress in implementing action plans. It gave no clear picture of strengths or weaknesses or movement towards achieving Moray CPP's strategic priorities.
38. Moray CPP plans to significantly improve its performance management arrangements. These proposals look sound. Rather than each CPP Board meeting receiving a comprehensive report covering all performance priorities, a cyclical approach is now planned, with each board meeting assessing the performance of an individual partnership group. Members of that partnership group will attend the board meeting, which will encourage improved accountability. This new approach has started to be implemented, with members of the Public Protection Partnership and the Children and Young Peoples Partnership attending recent board meetings. But, with performance management system not yet established, these meetings have focused on partnership activities rather than assessing the impact of their work.
39. There is also scope to rationalise reporting arrangements. Many of these have developed over many years, but no longer reflect the central role which Moray CPP is trying to establish. The Community Safety Partnership, for example, sits under the PPP but reports to Moray Council's Communities Committee. Similarly, the MEP reports to Moray Council's Economic Development and Infrastructure Services Committee but has yet to deliver a performance report to the board. The Moray Community Health and Social Care Partnership currently reports to Moray Council's Social Care Services Committee and to the NHS Grampian Board, but has not yet provided performance reports to the CPP Board. Performance reporting arrangements to individual partners and to the revised CPP structure have evolved at different times. The CPP should review and rationalise reporting arrangements to make it easier to oversee the work of these partnership groups but without compromising the statutory accountability arrangements of individual partners.

## Recommendations

- The board needs to establish itself as a genuine partnership, with all partner organisations taking responsibility for setting agendas and delivering the CPP's priorities.



- The board needs to continue to develop its strategic role, with a greater focus on its potential to coordinate and support the spread of partnership working.
- The partnership needs to implement a robust performance management framework, with regular updates on progress against the ten-year plan.
- The board needs to provide more challenge and hold individual partners and partnership groups to account for delivery against the outcomes in the ten-year plan.



# How well does Moray CPP use resources?

There are good examples of partnership working within Moray. Most are the result of national policies or local initiatives between individual organisations. These are now being brought under the oversight of Moray CPP, but the board now needs to take the lead in driving partnership working. The board has started to identify ways of making sure all partners direct funding to community planning priorities, but it still has to reach agreement on this difficult issue.

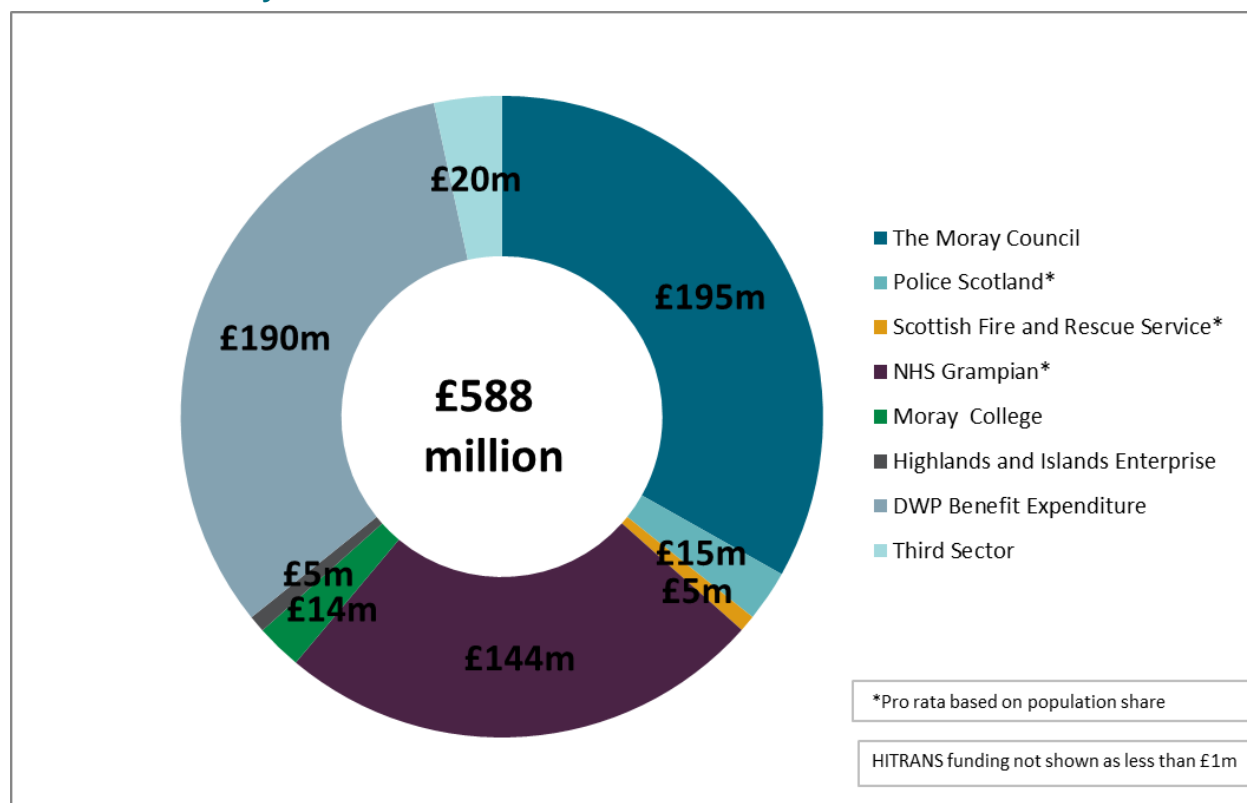
Moray's public sector spends around £600 million each year. But the CPP has only started to identify how partners need to share funding and other resources such as staffing, and how to direct these towards its priorities.

40. Public sector organisations form a large proportion of Moray's local economy, spending around £600 million each year (see [Exhibit 6](#)). In turn, they employ around 8,700 people, representing around 20 per cent of the local workforce.



**Exhibit 6****Public sector net expenditure in Moray**

**Partners in Moray CPP, and the Department of Work and Pensions (DWP), spend around £600 million each year**



Source: Audit Scotland analysis of partner organisations audited 2012-13 accounts and 2011-12 Moray College accounts. Third Sector estimate taken from tsiMoray work plan 2013-14. HIE expenditure based on their estimate.

41. Since at least 2003, CPPs have been expected to allocate the resources necessary to achieve agreed outcomes. This was reinforced in September 2013, when the Scottish Government and the Convention of Scottish Local Authorities set out a vision that community planning partnerships and their single outcome agreements should become "*the focal point for the planning and deployment of resources locally*". This is not straightforward, as CPPs do not have any formal powers to control local budgets. Instead, they must rely on the willingness of individual organisations to support and fund the delivery of the partnership's priorities. However unless CPPs are able to coordinate local resources, they cannot be effective.
42. There is little evidence in previous years to show that Moray CPP has been able to shift resources towards its priorities. But it is now making some progress. It has recently started to identify the total budgets of individual partners. For the first time, Moray CPP's new ten-year plan outlines the annual budgets of Moray's public and voluntary organisations. However, there are difficulties in estimating how much regional bodies such as HIE and NHS can allocate from their budgets to Moray. The CPP also needs to take into account other local resources, such as staff, buildings, local community groups, and information. .



43. Perhaps more importantly, the CPP Board has yet to establish how these overall resources could be shifted towards its priorities. For example, it now has information on the total expenditure that partners direct towards economic development. But it has still to decide if this is enough or if there is a need to reduce other budgets to help fund what it has identified as its over-riding priority.
44. Rather than examining total budgets, the CPP Board has agreed that over the next 12 months it will consider each of its strategic themes in turn and what resources it needs to deliver their objectives. It expects that the work already carried out on the joint funding of the Moray Health and Social Care Partnership will provide a model for other areas. To help build momentum, the board has decided to focus initially on the 'Ambitious and Confident Young People' theme, where it can build on existing partnership working. However reaching agreement on shifts in resources is likely to be difficult as it will inevitably involve reducing some budgets and increasing others. This may be particularly difficult where it involves shifting resources away from short-term targets towards long-term preventative work. Against a history of little progress in this area, the partnership needs to show a genuine commitment to make real progress in aligning resources.

**There are many examples of good partnership working within Moray, but few have been driven by the CPP.**

45. Moray has a history of good partnership working, going back over many years. It was, for example, one of the first areas in Scotland to establish a Community Health and Social Care Partnership in 2004. It has made good progress in building on this and responding to a new national initiative aimed at improving joint working between the NHS and social work services. In contrast to some other parts of Scotland, most of the detailed arrangements needed to progress the new Moray Health and Social Care Partnership, including funding plans, have been quickly resolved.
46. The Moray Economic Partnership (MEP) provides another example of strong partnership working. Building on the work of the Moray Task Force, which was created in response to the threatened closure of the RAF bases at Kinloss and Lossiemouth, Moray CPP created the MEP in 2011. Recognising the pressing need to diversify Moray's economy away from reliance on military bases, the MEP brought together partners from the public and private sectors. It has established the Moray Economic Strategy and acted as the focal point for directing support towards various projects aimed at diversifying the local economy and developing more science and technology jobs. One notable success has been IT firm ATOS, relocating within a very tight timetable (see [Case Study 1](#)).

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### Case Study 1

#### The relocation of ATOS to Forres Enterprise Park

Following the announcement that the RAF was withdrawing from the military base in Kinloss, international IT services company ATOS, approached Highlands and Islands Enterprise (HIE). It proposed retaining around 50 of the jobs that would be lost, with the potential to create a



further 200. With a strong pool of security-cleared staff, some with existing skills and others suitable for retraining, ATOS identified the potential to establish a development and innovation centre, within the enterprise park in Forres.

Partners responded quickly, coordinating the necessary work required to retain the company in the area and save jobs. With a tight timetable of nine months before RAF Kinloss was due to close, HIE approached other members of the MEP to support the project. This involved preparing bespoke accommodation within the Forres Enterprise Park and authorising all the necessary permits, such as health and safety certificates from Moray Council and the Scottish Fire and Rescue Service.

The close working relationships between members of the MEP were crucial to delivering this tight timescale, retaining 50 staff and establishing a new employer, with development potential, in the area.

*Source: Audit Scotland*

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47. There are many other examples of good partnership working in Moray:
- A new child protection unit opened in Elgin in March 2012. This brought together people working in different parts of the public sector, including social workers, police and NHS staff, into a purpose-built building, jointly funded by the council and police. The unit provides direct intervention to safeguard the welfare of children, as well as providing advice to a wide range of staff working with vulnerable youngsters and their families. This has brought staff from partnership bodies together to provide a faster, more coordinated response to enquiries.
  - Moray Council and NHS Grampian are jointly leading the Early Years Collaborative for Moray. It aims to improve outcomes for children and families, placing a greater emphasis on prevention and bringing together a wide range of professionals who work in services for children. These include teachers, play workers, nurses and nutritionists. It has agreed a delivery plan and reported on its progress to the CPP Board in January 2014.
  - 'Collegiate Moray', led by NHS Grampian, has started providing training for staff across partner bodies to encourage joint working and improve the quality of services to the public. So far, it has held four sessions on topics such as unscheduled hospital admissions, discharges and prescribing.
48. From our discussions with individual partners, it is clear that community planning in Moray has helped to develop good working relations and trust. This has encouraged a culture of partnership working with partners responding positively to potentially difficult areas, such as the integration of health and social care.
49. However, many of these examples of partnership working have been responses to national policies set by the Scottish Government, rather than to decisions made by Moray CPP. The Moray Health and Social Care Partnership and the Early Years Collaborative, for example, are the result of national initiatives and are mirrored throughout Scotland. Others, such as the development trusts at Forres and at Tomintoul, have been created as a result of local



community initiatives or joint working between individual partners. Few are the direct result of decisions made by Moray CPP.

### **Moray CPP is developing proposals to help it coordinate consultation and get local communities more involved in helping deliver some services.**

50. The Statement of Ambition for community planning aims to get local people more involved in delivering improved outcomes. The Scottish Government's proposed Community Empowerment and Renewal (Scotland) Bill is intended to strengthen the legal basis for doing this.
51. Moray CPP uses a citizens' panel to gauge local people's views and help shape its priorities. Individual partners such as Police Scotland and NHS Grampian have also carried out their own consultations. The CPP Board is planning to coordinate these exercises more effectively. A Community Engagement Group, chaired by the council's convener, was set up in May 2013. It has agreed an action plan, designed to help avoid any duplication of consultation exercises by different organisations, promote quality standards, and encourage information sharing. However more progress is needed in establishing the role of Area Forums, bringing together representatives from local community organisations and local residents to tackle local issues. Five have been established in the eight areas of Moray, but there have been difficulties recruiting members for the remaining three. In addition, the links between these Forums, the Community Engagement Group, and the CPP Board have still to be clarified.
52. Individual partners are considering ways in which local communities can help deliver some services. These have mainly focused on asset transfer, for example the council approved the transfer of a building to Elgin Youth Development in December 2013. However, despite these efforts, there are few examples of co-production. In some cases this is due to concerns about transferring risk to local community groups, for example a building or enterprise that is running at a financial loss, or their financial skills to manage an asset. However, significant progress has been made over the past year in strengthening the role of the voluntary sector in Moray. The establishment of tsiMoray, as part of a national initiative, has helped to provide a focus for a group of very different organisations. In turn, tsiMoray's role is evolving from community activist organisation, challenging the decisions and work of public sector organisations, to playing a stronger role as a partner helping to plan and deliver services.
53. Community development trusts provide a practical example of local people working alongside public sector organisations. For example, trusts have been established in Forres, in response to the threatened closure of RAF Kinloss, and in Tomintoul. These have had some significant success. The Tomintoul & Glenlivet Development Trust, for example, can point to evidence of its local economy being reinvigorated and increasing visitor numbers (see [Case Study 2](#)).

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## **Case Study 2**

### **Community engagement and co-production in Tomintoul**

Tomintoul and Glenlivet Development Trust was established in May 2012 as a result of local concerns about the area's decline, including two local hotels closing. Tomintoul is one of Moray's



remotest communities. The Cairngorm National Park Authority was the main partner to encourage the start-up of the Trust, which is also funded by HIE, Moray Council, and the Crown Estate. The Trust has a small core of staff, including a full-time development officer and has local volunteer directors.

There is evidence to show that the Trust has helped to revitalise the local economy. There has been renewed interest in the area through the press and media, with businesses attracted to the area and the two hotels re-occupied. The Trust has taken over the ownership and running of a hostel from the Scottish Youth Hostel Association and has increased occupation rates. It has also established local events to help attract visitors to the area, such as an annual motorcycle event that has helped bring around £15,000 into the local economy. In addition, while a final decision has still to be made on its funding, Tomintoul is now being considered as one of the sites for the Scottish Government's community broadband project. This project aims to bring improved internet connections to communities with limited services.

*Source: Audit Scotland*

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54. There is evidence that these local development trusts have had a positive impact. However their creation has been the result of local initiatives and joint working between HIE and individual organisations within Moray, rather than any decisions made by Moray CPP. There is now scope for Moray CPP to play a greater role in overseeing these trusts:
- identifying what is working well, what could be improved and what support it could provide
  - encouraging any good practice to be spread to other parts of Moray.

## Recommendations

- Moray CPP needs to show that it is helping to shift local resources towards its key priorities.
- The board needs to clarify the arrangements for community engagement, specifying the links between the Area Forums, the Community Engagement Group and the CPP Board.
- The board needs to establish a new approach to help coordinate community consultation and, where appropriate, encourage the involvement of local communities in helping provide some services



# How is Moray performing?

The lack of performance monitoring in earlier years makes it difficult to assess the impact of community planning in Moray. However, the information that is available suggests that progress has been made in a number of important areas, particularly in improving school attainment levels and the training and employability levels of the workforce. There is also evidence to show some success in diversifying the local economy, with a shift in jobs from the public to the private sector. Overall, people living in Moray are healthy, but the CPP has not been successful in tackling specific health issues of alcohol abuse, obesity, and smoking.

55. CPPs need to demonstrate that they have had an impact in improving outcomes for their local communities. The Statement of Ambition places CPPs at the centre of local public service reform, taking the lead on improving outcomes. However measuring changes in community outcomes is not straightforward. It can take years, if not decades, to make improvements in areas such as health or economic development. Outcomes are influenced by many factors, national and local. So it is difficult to link changes to specific partnership activities. Moray CPP's lack of systematic performance monitoring also makes it difficult to provide a rounded picture of long-term trends.
56. Within these constraints, however, in this chapter we broadly assess performance trends, based on the six themes of the last SOA:
  - Healthier citizens.
  - Ambitious and confident children and young people.
  - Adults living healthier, sustainable independent lives safeguarded from harm.
  - A growing and diverse economy.
  - Employability and employment skills.
  - Safer communities.
57. Most of our assessment is based on data from Moray CPP's *Outcome Delivery Plan 2013/14*. Where appropriate, we have supplemented these with other information produced by the Scottish Government or other national agencies. We make comparisons either against the neighbouring authority average (Aberdeen City, Highlands and Islands and Aberdeenshire) being Moray's closest competitors in relation to a diverse economy and employment skills or with its benchmarking group.<sup>7</sup>

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<sup>7</sup> Benchmarking groups are part of the Local Government Framework which supports performance data collection and comparison. Moray's benchmark group also contains Stirling, East Lothian, Angus, Scottish Borders, Highland, Argyll and Bute and Midlothian.



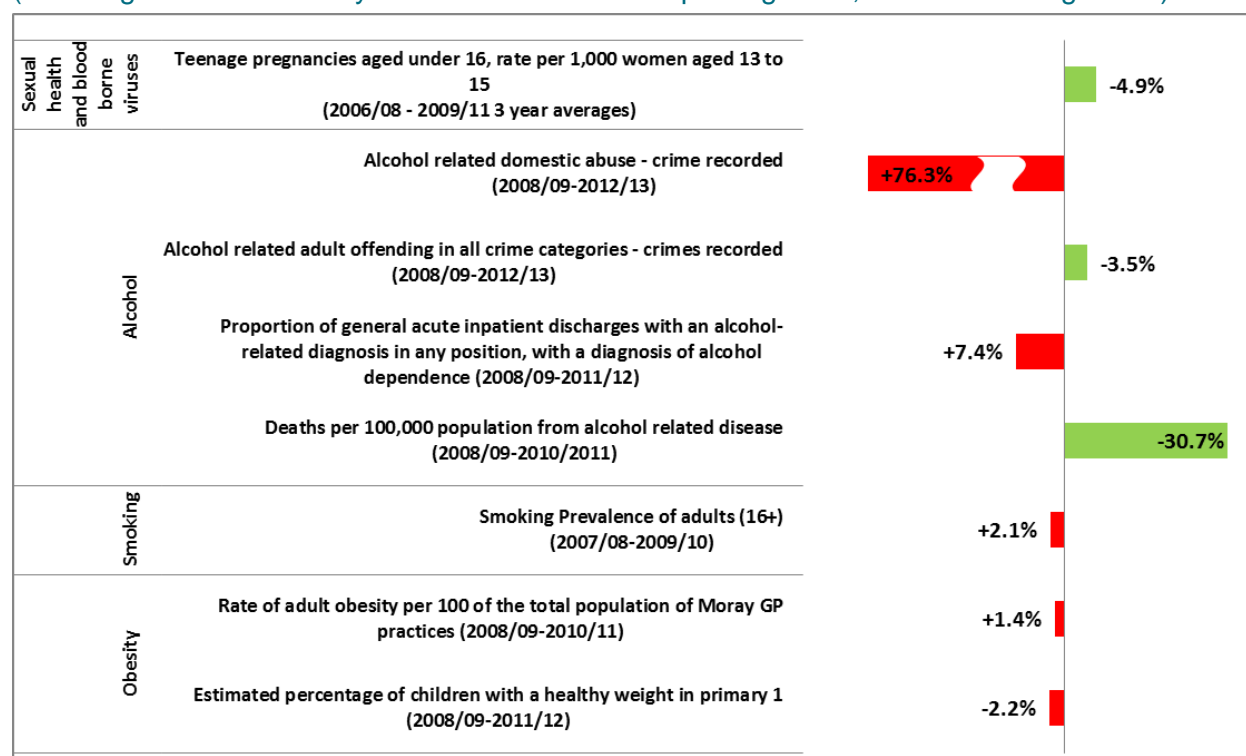
**Healthier citizens** - there has been progress in reducing the rate of teenage pregnancies and deaths from alcohol, but overall there is a worsening picture in Moray for smoking, obesity and alcohol dependency.

58. Overall, people living in Moray are relatively healthy with, for example, life expectancy higher than the Scottish average. Moray's SOA focuses on five local health concerns: obesity and alcohol dependency, which are well above national rates, and smoking, sexual health, and mental health. Moray CPP's *Outcome Delivery Plan* provides a reasonably full set of performance information on these issues, although in some cases data is missing for the most recent years. In addition, our analysis omits some indicators where the numbers are too small to assess performance trends meaningfully.
59. Overall, the CPP has not been successful in tackling the health issues it identified as being of the greatest importance to people living in Moray ([Exhibit 7](#)). There has been a small drop in the number of teenage pregnancies. But there are worrying trends for other priority areas. Adult and child obesity have increased and the number of adults smoking has also increased.

## Exhibit 7

### Performance trends for Healthier Citizens

(% change since baseline year. Green shows an improving trend, red a worsening trend.)



Source: Moray CPP, "Outcome Delivery Plan, 2013" and "Scottish Household Survey" data

60. There is a more complex picture for alcohol dependency, although overall this also suggests a worsening trend within Moray. The rate of deaths from alcohol-related diseases has fallen significantly. In contrast, the proportion of people discharged from hospital with alcohol dependency has increased. Overall, there has also been an increase in alcohol-related crime.

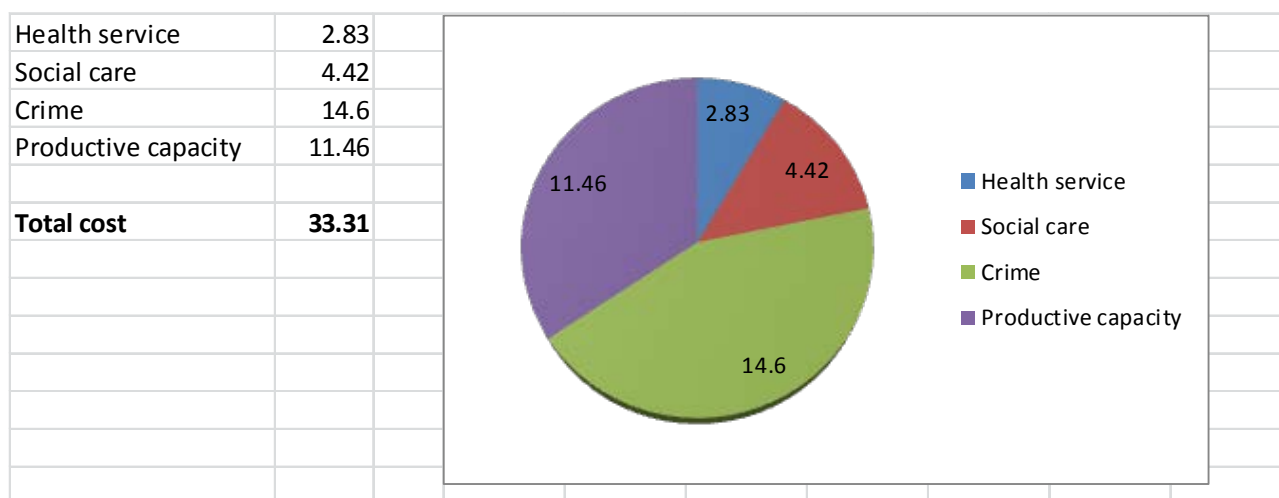


Between 2008/9 and 2012/13, the number of alcohol-related domestic abuse crimes increased by 76 per cent. This increase may reflect reporting changes and partners targeting action to identify this issue. Over the same period, there was a three per cent fall in overall crime rates that were alcohol-related, but the improvements in earlier years have been all but wiped-out by a sharp increase since 2010.

61. Tackling alcohol misuse is a difficult issue for the partnership. Alcohol production is a significant part of Moray's economy. Many Speyside distilleries are in Moray, parts of which also have a high concentration of licensed premises. But alcohol abuse has significant costs for the various public organisations that have to deal with its impact. Alcohol Focus Scotland, a national charity working to reduce the harm caused by alcohol, has estimated that alcohol harm cost over £33 million in Moray in 2010/11 (see [Exhibit 8](#)). This excludes wider social costs, such as premature deaths, where it is difficult to attach a financial value.

### Exhibit 8

The estimated cost of alcohol harm in Moray 2010/11 (£million)



Source: Alcohol Focus Scotland

62. The Moray Alcohol and Drug Partnership (MADP) contains representatives from various local organisations, including NHS Grampian, Police Scotland, and Moray Council. As part of the Moray Health and Social Care Partnership, the MADP reports to Moray CPP. Since 2013, it also reports to the Scottish Government.
63. MADP has overseen many initiatives. It has helped fund Grampian Police and Moray Youth Justice to develop programmes to tackle underage and binge drinking. These programmes, called Operation Avon have been highlighted by the Scottish Government as an example of good partnership working and are now being used in other parts of the country. MADP is using the national Drug and Alcohol Star framework to help monitor the progress being made by individuals as they reduce their drug and alcohol dependency. This shows that, by the end of 2013, over 45 per cent had made progress in reducing their alcohol use. Partnership organisations have also worked with schools to focus on a more preventative approach. The



MADP has succeeded in helping meet the Scottish Government's HEAT target for improving access to services. But it has had limited success in securing long-term improvements in the impact of alcohol abuse.

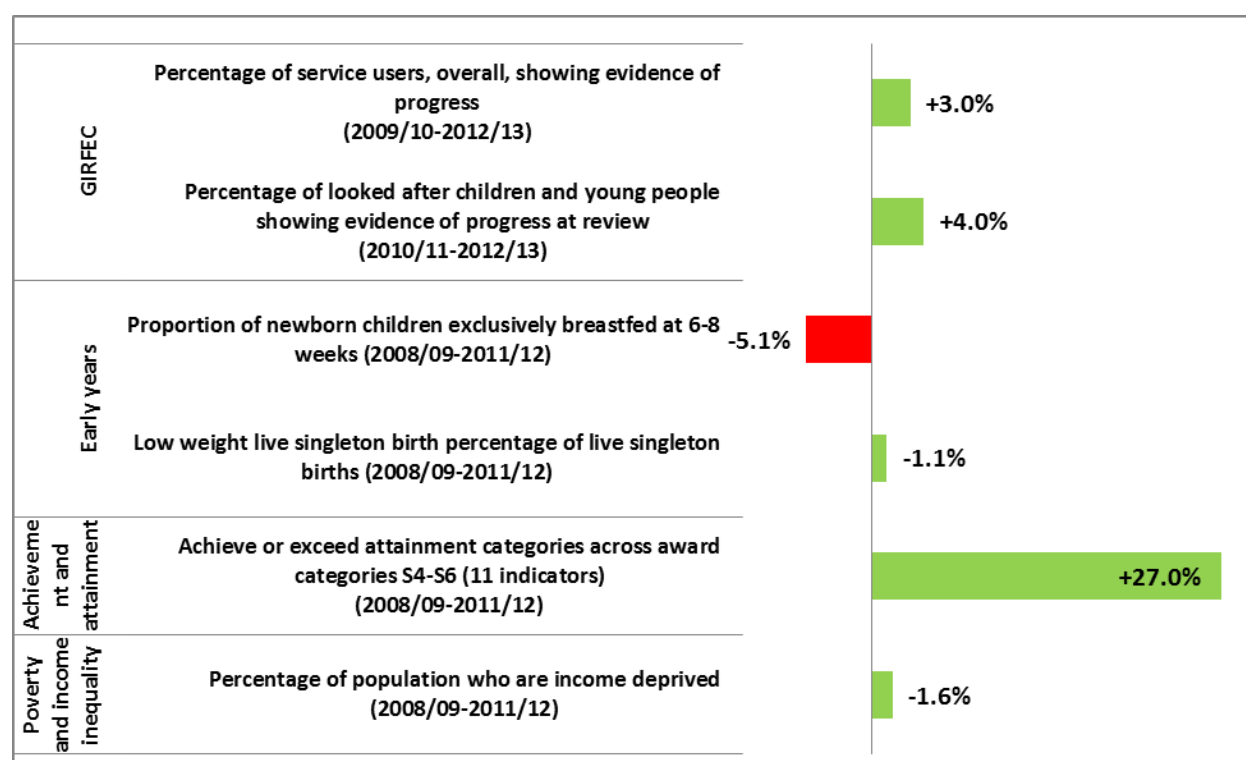
### **Ambitious and confident young people - overall, there has been a good performance for early years development and educational attainment**

64. Moray's SOA sets out targets for four broad aspects of developing ambitious and confident young people. Some focus on issues that can affect children in their early years, such as breastfeeding. Some look at school attainment, such as qualifications, and at wider aspects of children's services, particularly the progress in establishing Getting It Right for Every Child (GIRFEC), the national model for children's services. The SOA also recognises links between poverty and children's development, with targets set for reducing deprivation.

#### **Exhibit 9**

#### **Performance trends for Ambitious and Confident Young People**

(% change since baseline year. Green shows an improving trend, red a worsening trend)



Source: Moray CPP, "Outcome Delivery Plan, 2013"

65. Overall, the performance information in Moray CPP's *Outcome Delivery plan* suggests there has been a marked success in responding to issues affecting the development of children and young people (see [Exhibit 9](#)). Over the past five years, the proportion of Moray's population classified as being income-deprived has fallen slightly. There has been steady progress in establishing GIRFEC. And while some of Moray's attainment levels continue to lag behind the national average, school attainment levels have improved markedly for most stages. The



proportion of new-born children who are breastfed has fallen, but Moray's rate of 28.7 per cent is still above the Scottish average of 26.2.

### **Adults living healthier, sustainable independent lives - Moray has made progress towards its targets, although it hasn't yet reduced the proportion of older people in care homes**

66. In line with national policies, Moray's SOA sets out targets for improving the care of adults. It aims to reshape the arrangements for caring for older people, so that fewer are in permanent care homes and more have the opportunity to be cared for at home. It also aims to increase the number of clients using direct payments, giving them a greater choice over who provides them with support.

#### **Exhibit 10**

#### **Performance trends for Adults Living Healthier, Sustainable Independent Lives**

(% change since 2008, except where indicated)

Reshaping care for older people	Percentage of people aged 65+ with high levels of care needs who are cared for at home	+1.4%
	Percentage of service users 65+ in permanent care as a percentage of overall people receiving care (2010-2012)	0.0%
Self directed support	Number of people (over 18) using Direct Payments (2010-2013)	+7.1%

Source: Moray CPP, "Outcome Delivery Plan, 2013"

67. Moray CPP's *Outcome Delivery Plan*, sets out relatively few targets, but the information available does indicate success in giving adults more independence over their care. There has been a significant increase in the number of people using direct payments. And, while the overall proportion of older people being looked after in care homes has not reduced, there has been a shift towards those with high levels of care needs being cared for at home.



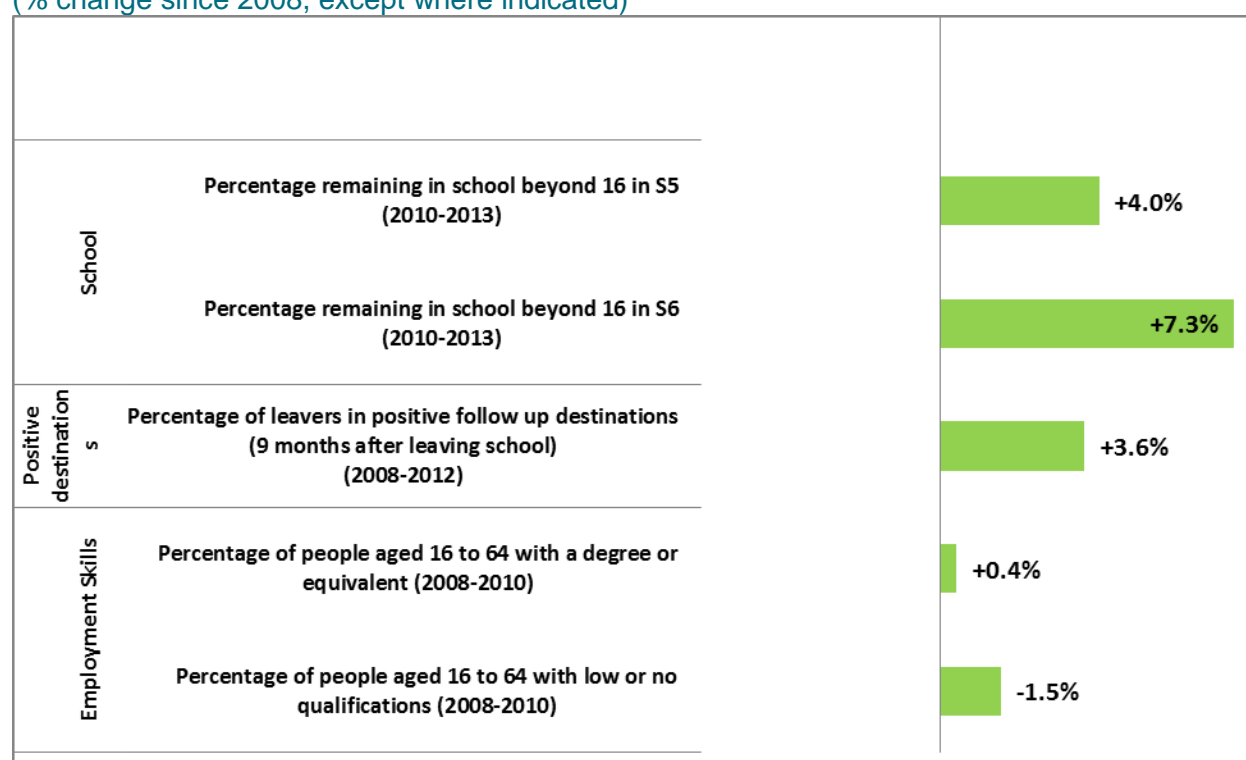
## **Employability and employment skills - Moray has made good progress in all its targets for improving the skills and training for its workforce**

68. Closely aligned to its overall priority of economy growth and diversity, Moray CPP has also aimed to improve the employability and skills of its workforce. Although Moray has relatively high rates of employment, it does suffer from having a low-wage economy. The lack of a skilled workforce can be a barrier to businesses in the oil, science, and technology sectors wanting to expand in or relocate to the area. Moray's SOA focuses on targets for four main issues, namely:

- encouraging children to stay at school beyond S5
- school leavers moving on to positive destinations, such as employment, college or university
- reducing the proportion of the local workforce with no or low qualifications
- and increasing the proportion who are graduates.

### **Exhibit 11**

**Since 2008, Moray has been successful in improving the employability of its young people**  
(% change since 2008, except where indicated)



Source: Moray CPP, "Outcome Delivery Plan 2013" and Audit Scotland analysis of national data

69. The presence of the University of the Highlands and Islands, through its Moray College Campus, has encouraged school leavers to stay in the area and increase their qualifications. There has been a marked improvement in all of the areas targeted by Moray CPP ([Exhibit 11](#)). Over the past five years, increasing numbers of pupils stay on at school beyond the age of 16. In addition, a greater proportion of school leavers are now going on to a positive destination.

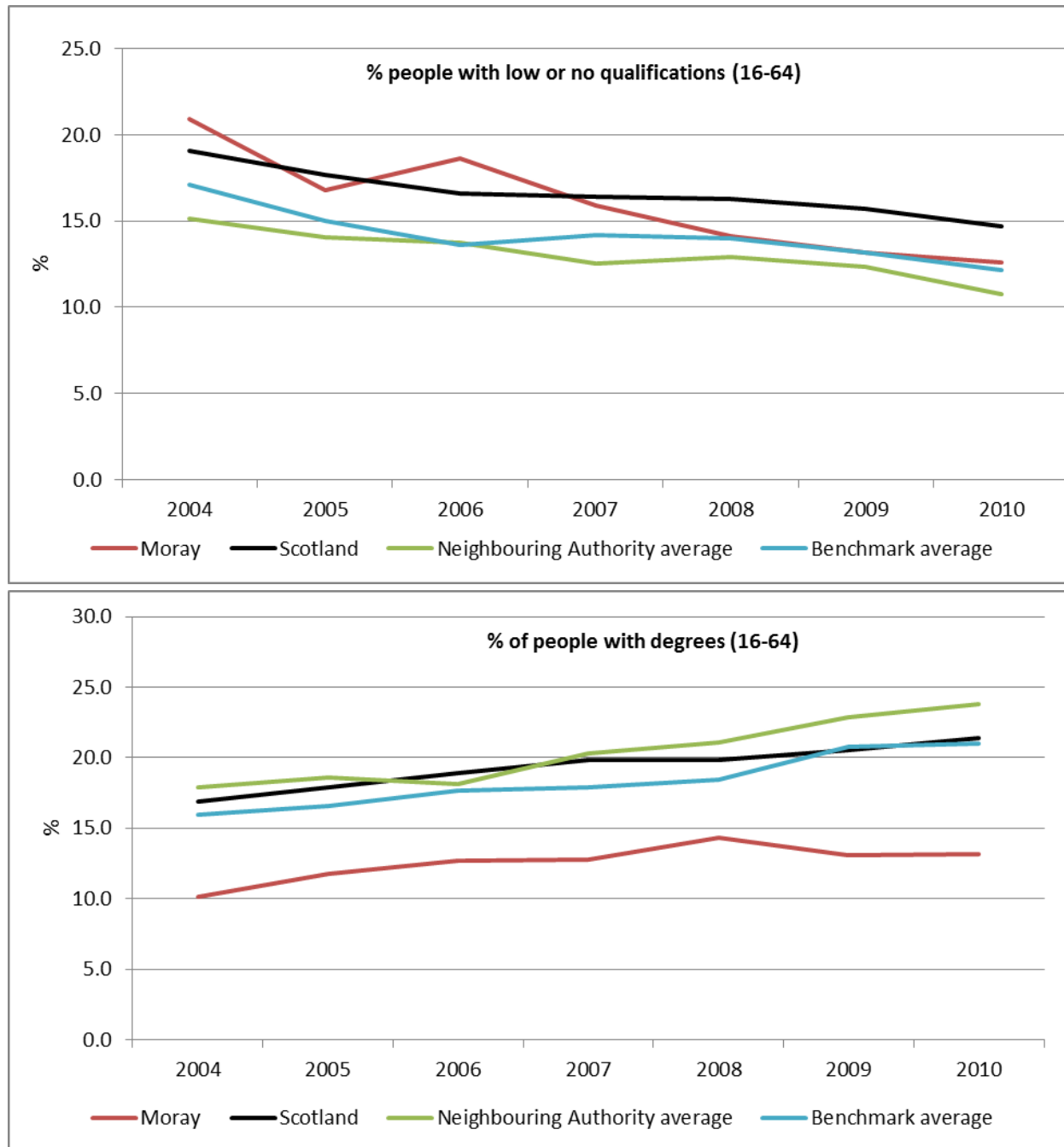


The proportion of the workforce with no or low qualifications has fallen and the number of graduates has risen slightly. Despite this steady improvement, however, Moray still lags behind its neighbouring areas and also its benchmark group (see [Exhibit 12](#)). Graduate levels in Aberdeen, Aberdeenshire and the Highlands have also steadily increased and are still almost double that in Moray.



**Exhibit 12: Workforce qualifications**

There has been a steady improvement in the qualifications of Moray's workforce, but this is lower than its neighbouring areas and its benchmark comparator.



Source: Audit Scotland analysis of Scottish Government Statistics

**Safer communities** - Moray is a safe place to live and, while more needs to be done to reduce alcohol-related crime, there have been reductions in road accidents, house fires, and serious assaults

70. Moray is a safe place to live, with one of the lowest crime levels in Scotland. However the SOA does highlight specific concerns. In a relatively rural area such as Moray, with country

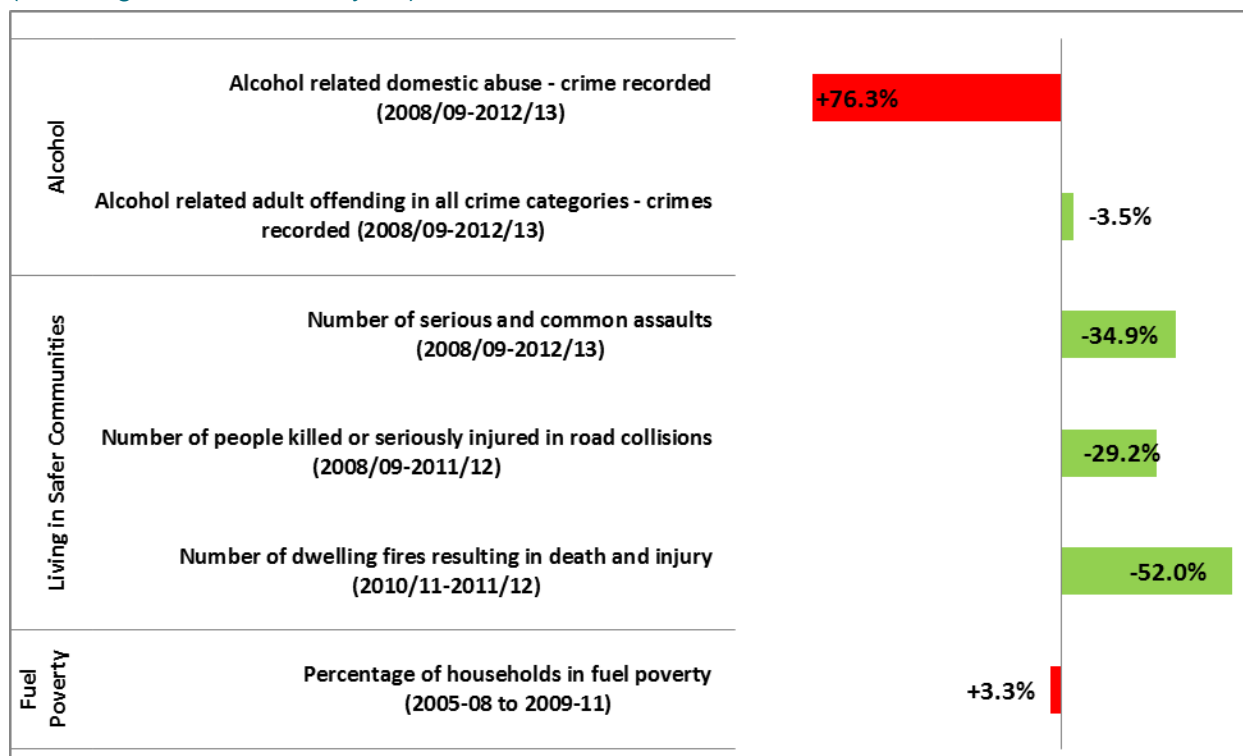


roads and a dispersed population, road traffic collisions and house fires are a significant concern. While overall crime levels are low, crimes associated with alcohol are also a major concern in Moray. A quarter of all serious and violent crimes in Moray between 2009 and 2012 were committed while the perpetrator was under the influence of alcohol.

## Exhibit 13

### Performance trends for Safer Communities

(% change since baseline year)



Source: Moray CPP, "Outcome Delivery Plan, 2013"

71. Over the past five years, there have been some significant improvements in community safety in Moray (see [Exhibit 13](#)). For example, there has been a major fall in the number of house fires resulting in death or injury. There has also been a significant fall in the number of people killed or seriously injured in road collisions, although this started to increase again in the last year. From a low base, there has also been a significant reduction in the number of serious and common assaults. However, as mentioned earlier, there is little evidence to show the CPP has been successful in tackling alcohol-related crime. The increases in these recorded crime rates may be partly due to alcohol-related crimes being targeted by police. However, since 2008, there has been a 76 per cent increase in recorded domestic abuse crimes linked to alcohol. In addition, while there has been some success in earlier years in reducing the overall crime rates which are related to alcohol, these have seen a sharp increase since 2010.



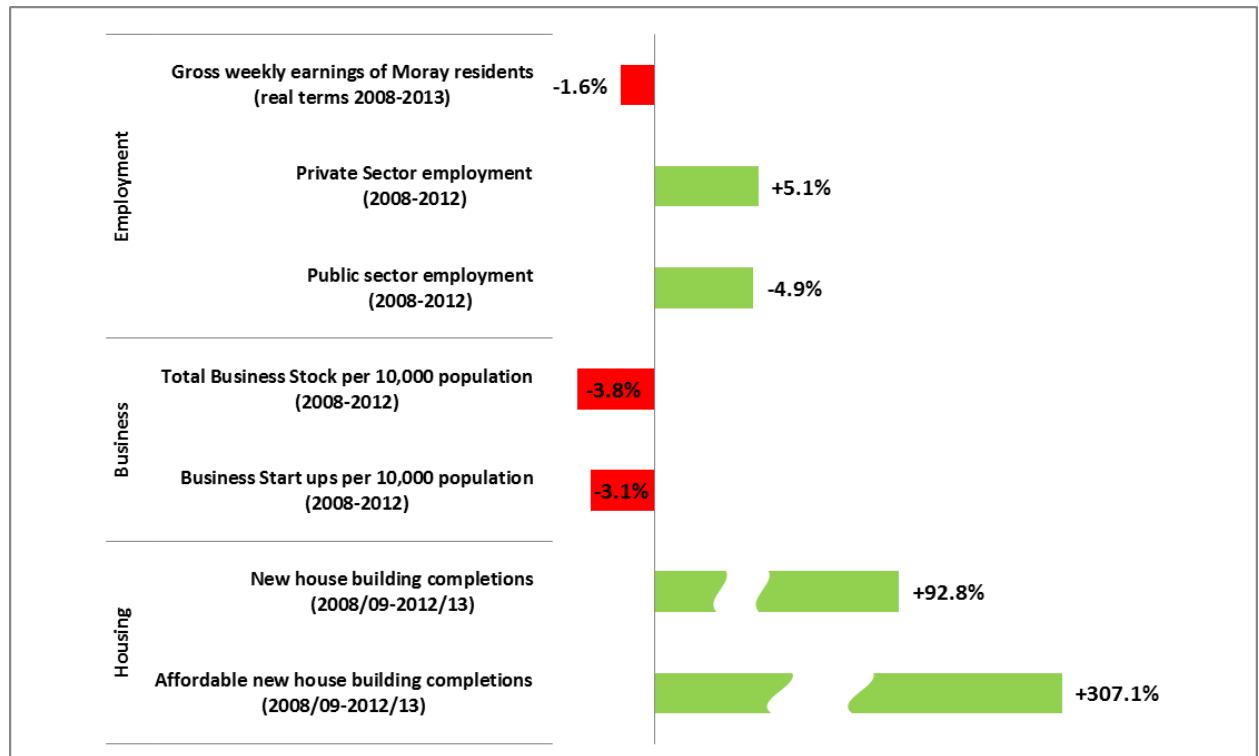
**A growing and diverse economy - despite the lack of evidence that Moray's economy is growing, the CPP can point to some high-profile successes and a shift from public to private sector jobs**

72. Moray CPP has been clear in highlighting the development and diversification of the local economy as its overriding priority. Moray has relatively low levels of deprivation with, for example, unemployment levels significantly below the Scottish average. However, it has long suffered from a low-wage economy and a reliance on seasonal work, in agriculture and tourism. The underlying weakness of Moray's economy was highlighted in 2010 with the threatened closure of the RAF bases at Kinloss and Lossiemouth. Between them, these bases supported 5,700 full-time jobs, representing around 16 per cent of jobs within Moray.
73. The threatened closure of the bases helped focus the activities of Moray's community planning partners. In October 2010, a Moray Task Force was formed, comprising representatives of public, private, community and voluntary sectors. This had some initial success, with a Government decision to retain RAF Lossiemouth and to convert the RAF Kinloss to an army base. However, there was a clear need to diversify Moray's economy, with less reliance on public sector jobs and, in particular, military bases.
74. As a result, Moray CPP became more formally involved in helping shape a long-term strategy. The Moray Economic Partnership (MEP), made up of many of the representatives from the Moray Task Force, was established in 2011. The MEP then began to develop a more long term strategic approach, building on two earlier reports. A *Moray Economic Strategy* was published in October 2012. This aims to diversify Moray's local economy, with three main targets:
  - growing the population to over 90,000 in the next ten years, attracting new residents and people aged 16-25 years
  - creating over 5,000 jobs with a focus on high quality jobs in engineering, science and technology, coupled with an increase in employment in established sectors such as tourism, food and drink
  - increasing average earnings to the regional and Scottish average by an emphasis on higher value activities.



## Exhibit 14 Performance trends for a growing and diverse economy

(% change since 2008 baseline year)



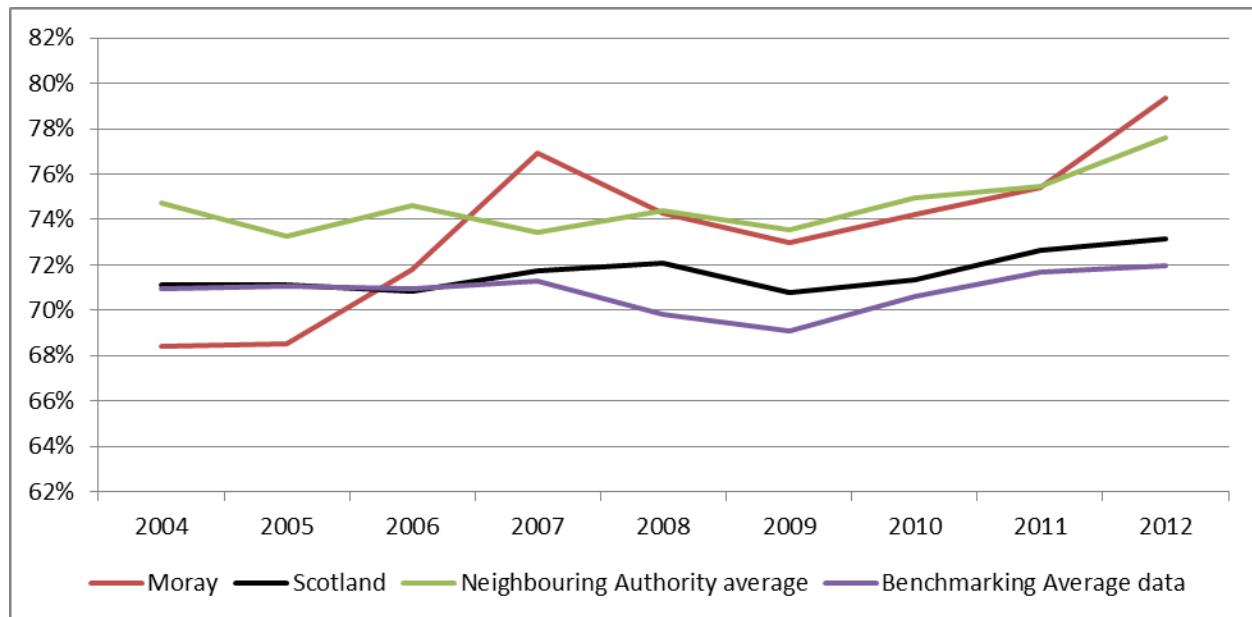
Source: Moray CPP, "Outcome Delivery Plan 2013" and Audit Scotland analysis of national data

75. There is evidence to show that, over the past two years, the MEP has made some progress towards its objectives and the SOA's targets (See [Exhibit 14](#)). In particular, there has been a significant increase in private sector jobs and a similar fall in the number of public sector jobs. This shift in Moray's economy is confirmed by annual surveys (see [Exhibit 15](#)).



**Exhibit 15****Moray is becoming less reliant on public sector employment**

An increasing percentage of people consider themselves to be employed in the private sector



Source: Annual Population Survey

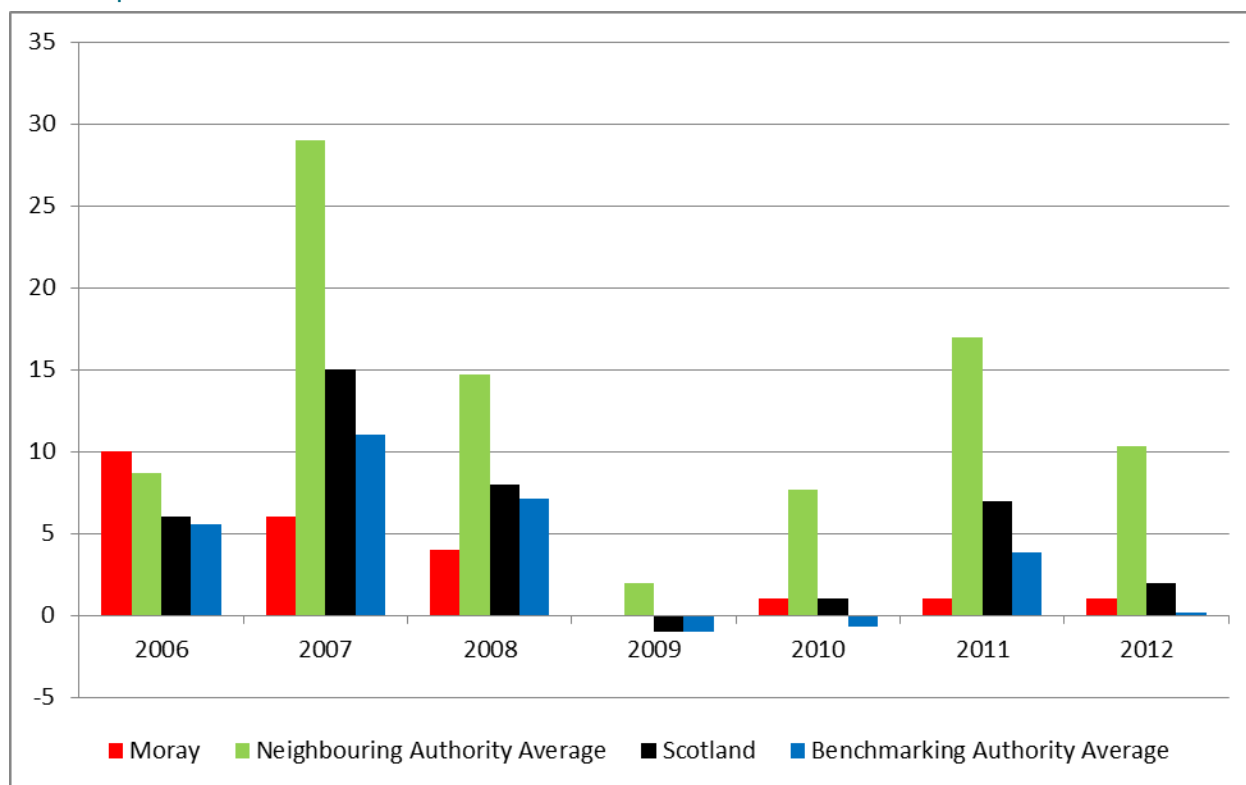
76. The partnership can also point to some high-profile successes with job creation and retention. This includes the expansion of established employers, such as Baxter's and Walkers, as well as attracting inward investors such as ATOS (mentioned earlier in Case Study 1). Partnership working by SDS, HIE and Moray Council reduced the impact of the potential loss of 1,633 jobs from RAF Kinloss. This involved preparing RAF leavers for civilian work, resulting in no significant increase to Moray's unemployment rate. Similarly, partnership working between NHS Grampian, Moray College and HIE has recently led to the development of the £7.2 million Moray Life Science Centre. This is expected to create around 34 jobs and the potential to increase research and development and higher education opportunities.
77. Despite these successes, there is less clear evidence to show that the number of businesses in Moray has increased. Scottish Government statistics suggest that the number of business start-ups and the overall number of businesses has actually fallen over the past five years ([Exhibit 14](#)). This information is based on the number of VAT registrations. It suggests there has been some growth in the number of businesses within Moray in recent years, but that this is lagging significantly behind the levels in neighbouring areas (see [Exhibit 16](#)).



## Exhibit 16

### The net change in VAT registered businesses per 10,000 adults

Although the number of VAT registered businesses in Moray is increasing it is below the Scottish rate and the average of three neighbouring local authority areas (Aberdeen City, Aberdeenshire and Highland). Performance has fluctuated against benchmark comparators but figures for 2012 show improvement.



Source: Audit Scotland analysis of Scottish Government Business Demography Statistics

78. Although the number of business start-ups has fallen, Moray's Business Gateway has supported 444 new business start ups, resulting in the creation of 662 full time jobs since it was established in 2009. In terms of sustainability, 80 per cent of the businesses set up continue to trade successfully with ongoing support from Business Gateway. It has also supported local businesses to lever in nearly £1.6 million of loan funding over the past three years.
79. This, and the earlier information showing that overall private sector employment has increased, suggests that the nature and size of Moray businesses has altered and fewer individual firms are employing people. These indicators suggest a number of small firms have increased in size while employment has been consolidated into a smaller number of large firms. Whatever the explanation, there is no clear evidence to show that Moray CPP and the MEP have yet succeeded in significantly increasing the number of local businesses.



# Improvement agenda

## Strategic direction

- Moray CPP needs to build on recent improvements by:
  - Ensuring that its ten-year plan influences the strategic priorities of individual partners and helps drive joint working and shared resources.
  - Reviewing the plan periodically to ensure that it continues to reflect local priorities and contains relevant targets.
  - Ensuring that the ten-year plan is supported by a clear and agreed delivery plan that sets out the specific actions partners will take, with timescales and resources.
- Moray CPP should develop and implement a clear prevention plan, with specific proposals and targets for monitoring their effectiveness.
- Moray CPP needs to develop specific proposals on how it intends to tackle inequalities and targets for monitoring their effectiveness.

## Governance and accountability

- The board needs to establish itself as a genuine partnership, with all partner organisations taking responsibility for setting agendas and delivering the CPP's priorities.
- The board needs to continue to develop its strategic role, with a greater focus on its potential to coordinate and support the spread of partnership working.
- The partnership needs to implement a robust performance management framework, with regular updates on progress against the ten-year plan.
- The board needs to provide more challenge and hold individual partners and partnership groups to account for delivery against the outcomes in the ten-year plan.

## Collaboration

- Moray CPP needs to show that it is helping to shift local resources towards its key priorities.
- The board needs to clarify the arrangements for community engagement, specifying the links between the Area Forums, the CEG and the CPP Board.
- The board needs to establish a new approach to help coordinate community consultation and, where appropriate, encourage the involvement of local communities in helping provide some services.



# Appendix 1: Methodology

The focus of our work was to assess the effectiveness of community planning in Moray in making a difference to local communities.

## **Thematic and area reviews**

- We conducted specific audit work in relation to economic development and the misuse of alcohol. We also did locality audit work in the Tomintoul and Forres areas of Moray.
- A representative from Education Scotland took part in interviews with officials from Moray Council to help us with our thematic reviews.
- Our report draws on the relevant findings of an inspection of older people's services in Moray, carried out in 2013 by the Care Inspectorate and Healthcare Improvement Scotland.

## **Desk research**

Our audit team reviewed a range of documentary evidence provided by the partnership, including:

- previous and current versions of the SOA
- individual community planning partner organisations' strategies
- community planning meeting agendas, minutes and reports.

## **Data analysis**

We analysed performance data for a range of indicators in the Moray SOA, including the following sources:

- Scottish Neighbourhood Statistics
- Scottish Index of Multiple Deprivation
- Office for National Statistics
- National Records of Scotland
- Nomis labour market statistics
- The Scottish Public Health Observatory
- NHS Scotland Information Services Division
- Audit Scotland Statutory Performance Indicators.

## **On-site fieldwork**

We attended three meetings of the CPP Board and reviewed reports for the partnership groups underneath.

We carried out interviews with a range of community planning partners between October 2013 and February 2014. These included members of the CPP Board and partnership groups representing the following organisations:



- Moray Council
- NHS Grampian
- Moray College
- tsiMoray ('third sector initiative')
- Police Scotland
- Scottish Fire and Rescue Service
- Skills Development Scotland
- Highlands and Islands Enterprise
- T&GDT
- FACT.



**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**COVER NOTE BY SECRETARY TO THE COMMISSION**

**STATUTORY REPORT – ARGYLL AND BUTE COUNCIL**

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**Purpose**

1. The purpose of this report is to introduce a report by the Controller of Audit on Argyll and Bute Council. The Commission is invited to consider the report and decide how it wishes to proceed.

**Background**

2. At its meeting on 13 October 2013, the Commission considered a report by the Controller of Audit on Argyll and Bute Council. The Commission agreed to reach findings which were published alongside the report on 29 October 2013. The findings are in Appendix 1. As part of those findings, the Commission required a further report by the Controller of Audit on the progress made by the Council over the next six months.

**The report**

3. The Controller of Audit's report is attached. It is made under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
4. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
  - a) the accounts of local authorities audited under the Act;
  - b) any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public.
  - c) the performance by a local authority of their statutory duties in relation to best value and community planning.
5. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

**Procedure**

6. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
  - a) direct the Controller of Audit to carry out further investigations;
  - b) hold a hearing;
  - c) state its findings.
7. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence presented in the report.



## **Conclusion**

8. The Commission is invited to:

- consider the report by the Controller of Audit on Argyll and Bute Council; and
- decide how it wishes to proceed.

**Paul Reilly**  
**Secretary and Business Manager**  
**10 June 2014**



**APPENDIX 1: ARGYLL AND BUTE COUNCIL: ACCOUNTS COMMISSION**  
**FINDINGS PUBLISHED ON 29 OCTOBER 2013**

1. The Commission accepts the Controller of Audit's report on Argyll and Bute Council.
2. The Commission is seriously concerned about substantial risks to the council caused by the instability of leadership by elected members since the last council election. The council's ability to set and maintain a clear strategic direction is at risk of being compromised and the Commission is concerned that this will, in time, negatively affect the services that the council provides for the people of Argyll and Bute. We are also concerned about the negative effect that this is having on the council's reputation.
3. The quality of leadership of the council has been inadequate. We urge the elected members and the corporate management team to work together to provide stronger and effective leadership of the council. Effective working relationships between elected members, and between members and officers, need to be based upon mutual trust, respect and transparency. Elected members need to achieve a more effective balance between focusing on local issues and priorities and the longer term strategic objectives of the council and the best interests of the whole community of Argyll and Bute.
4. The Commission underlines the importance of the role of Monitoring Officer in supporting good governance. The role needs to be afforded trust and respect. Equally, members must have confidence in the comprehensiveness of information provided by officers to enable them to make considered decisions.
5. The council's current political management arrangements are not fit for purpose. The role that the full council plays is unsustainable and progress in securing effective scrutiny arrangements has been inadequate.
6. We are encouraged that the council recognises the need to change its political decision-making structures: it is crucial that the conclusions awaited from the short life working group established in this regard are considered carefully by the council. We await with interest to see how this is taken forward. Any new structure needs to be understood by all who fulfil a role in those structures, and all members need to engage fully in the new arrangements.
7. The challenges faced by Argyll and Bute Council are not unique. We are therefore pleased to note that the council recognises the value in seeking support from external sources: we would urge that this continue to be exploited through, for example, the use of peer support. We underline the importance of training and development support for all members. Elected members and officers must work together to ensure fuller use of - and participation in - such support.
8. There is much work to be done by the council and we note a further recent change in the council's political leadership. The Commission expects urgent progress to be made in early course. We require a further report by the Controller of Audit on the progress made by the council over the next six months.



# **Argyll and Bute Council**

## **Follow-up audit 2014**



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.



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# Contents

<b>Part 1. Introduction .....</b>	<b>2</b>
The statutory report and Accounts Commission findings .....	2
The follow-up audit .....	2
<b>Part 2. Summary.....</b>	<b>4</b>
<b>Part 3. Audit assessment .....</b>	<b>6</b>
The council has responded constructively to the Accounts Commission findings and is making progress on improvement work. It is too early to judge the effectiveness of many of its actions .....	6
The leadership and political dynamics of the council are more stable but the situation remains fragile.....	8
New political management arrangements provide a foundation for improved governance	14
<b>Areas for Improvement.....</b>	<b>20</b>
<b>Appendix .....</b>	<b>21</b>



# Part 1. Introduction

## The statutory report and Accounts Commission findings

1. Between May and August 2013, Audit Scotland undertook targeted audit work at Argyll and Bute Council in response to a scrutiny requirement identified in the [Assurance and Improvement Plan for 2013-2016](#). The work focused on the effectiveness of councillor to councillor and councillor to officer working relationships.
2. In October 2013, the Controller of Audit presented a statutory report to the Accounts Commission, under Section 102(1)(b) of the Local Government (Scotland) Act 1973. The Commission made findings on the report and [the statutory report and the Commissions findings](#) were published on the 29th October 2013.
3. The Commission's findings from 2013 are set out in full as an appendix to this report. They reflect a number of concerns and expectations expressed by the Commission, and are summarised as follows:
  - Serious concern about substantial risks to the council caused by the instability of elected member leadership.
  - The quality of leadership of the council has been inadequate.
  - Elected members need to achieve a more effective balance between focusing on local issues and priorities and the longer term strategic objectives of the council.
  - The role of the Monitoring Officer needs to be afforded trust and respect and members must have confidence in the comprehensiveness of information provided by officers.
  - The council's current political management arrangements are not fit for purpose.
  - Elected members and officers must work together to ensure fuller use of training and of external support.
4. Argyll and Bute Council considered the Commission's findings on the statutory report at its meeting in November 2013. In January 2014, the council, with a majority of 31 to three votes, agreed an action plan in response to the statutory report and that it be submitted to the Commission. The [council's agreed action plan](#) and its [summary of the recommendations](#) are available on the council's website.

## The follow-up audit

5. In its 2013 findings, the Commission expressed the need for urgent progress and requested a further report by the Controller of Audit. This follow-up audit report responds to the Commission's request. The follow-up audit work reviewed progress made by the council over the six-month period between the publication of the statutory report at the end of October 2013 and April 2014.



6. The audit work took place in April and May 2014 and therefore this report reflects the position at that point in time. During the onsite work the team interviewed ten councillors individually, four council officers, the independent (external) chair of the council's Performance Review and Scrutiny (PRS) Committee and one of the local MSPs. The team held two focus groups with councillors, one with a group of middle managers and observed a full council meeting.
7. I gratefully acknowledge the cooperation and assistance provided to the audit team by the Chief Executive, Sally Loudon, the Leader of the council, Councillor Dick Walsh, the chair of the Performance, Review and Scrutiny Committee, Mr Ian Ross, as well as the other councillors and staff who met with members of my team as part of the audit.



# Part 2. Summary

**Argyll and Bute Council has responded constructively to the Accounts Commission findings on the 2013 statutory report and it is making progress with improvement work. It is, however, too early to assess the effectiveness of the actions and plans being implemented.**

**The leadership and political dynamics of the council are more stable but the situation remains fragile. The risk to the council is currently reduced but there are difficult circumstances ahead and tough decisions to be made that will prove challenging to political management and ongoing stability.**

**New political management arrangements provide a foundation for improved governance. The council needs to ensure councillors and officers have a shared understanding in practice about the roles and responsibilities as well as effective links within and across the new arrangements to ensure they meet their potential.**

**Scrutiny still needs to improve. In particular, the council needs the commitment and engagement of councillors in the work of the Performance Review and Scrutiny Committee and the Audit Committee, if these are to make an effective contribution to governance and accountability. The role of senior management will also be crucial.**

9. Overall, councillors and senior officers demonstrate a good level of understanding and acceptance of the Accounts Commission's findings and the 2013 statutory report. The council has agreed an improvement action plan that responds to the concerns raised following previous audit work. The council is making progress with its actions in line with its planned timetable.
10. The political leadership of the council has a firm focus on ensuring political and financial stability. The political dynamics of the council are more stable than before, although given the nature of the circumstances in Argyll and Bute Council, the situation is fragile, with some underlying tensions evident. Cultural and behavioural issues are complex and difficult to address, and will take time and sustained effort to change. Given the relatively short period since our previous report, we did not anticipate these issues would be fully addressed yet.
11. In February 2014, the council approved a budget that intends to provide two years of financial stability. During that period, the council plans to address the financial challenges it faces in the future, including significant reductions in funding. This more challenging environment will require it to make tough decisions and the natural tensions and stresses involved in this are likely to test the stability established so far.
12. The council continues to conduct day-to-day political and operational business. It now needs to use the relative stability and improvements in political management arrangements to make further progress with planning its strategies, monitoring its performance and delivering results.
13. Senior managers feel that with better political stability they have had more time to get on with improvement work and other council business. This includes making progress on



arrangements for training and development for councillors, although further improvement in the level of engagement by councillors is required.

14. While the council has listened to the Commission and responded constructively to its findings, it is too early to judge the effectiveness of many of the actions the council is taking, at this stage. For example:
  - At the time the audit work took place, the council had not yet fully implemented changes to the political management arrangements. The planned arrangements, however, provide the potential for significantly improved governance.
  - The new arrangements include increased financial and local policy responsibilities for area committees. The effectiveness of these changes has not yet been tested but they offer the opportunity to support a better process for integrating strategic and local priorities.
  - The Policy Leads system has the potential to play a significant role in the political management arrangements, but again, it is too early to assess the impact of these roles.
15. Scrutiny still needs to improve. In particular, the council needs the commitment and engagement of councillors in the work of the Performance Review and Scrutiny Committee and the Audit Committee for these to make an effective contribution to the council's governance and accountability arrangements. Current activity, including the implementation of new committees, training for councillors, development days to plan forward work programmes for committees and redevelopment of the committee report template, all have the potential to contribute to wider improvements in scrutiny.
16. For the new political management arrangements to function effectively the council needs to ensure there is clarity and shared understanding in practice about the roles and responsibilities of each committee, subgroup and individual role (such as policy lead and shadow lead) within the arrangements. How well each of the parts of the new arrangements works and interacts with others will be equally important. Good intelligence about common issues and information flows across the committees, groups and lead roles, is fundamental to the new structure meeting its potential as an effective and transparent governance framework. In recognising these issues, the council has made provision for additional staff to support the new arrangements, although it is too early to assess the effectiveness of this.
17. There is evidence of a common determination to move forward and ensure that the council delivers more effective local government for Argyll and Bute. The council faces some difficult decisions over the next two years as it identifies and manages the reductions in spending it will need to make. It is essential that it continues to improve its culture, that there is agreement on what kind of council it wants to be and that improved behaviours are sustained. This will allow Argyll and Bute to move forward from a focus on stability to a position where there is effective community leadership and a unified position on delivering the council's priorities for its communities. The role of senior management in supporting elected members and in ensuring the delivery of high quality services to local people is crucial.



# Part 3. Audit assessment

**The council has responded constructively to the Accounts Commission findings and is making progress on improvement work. It is too early to judge the effectiveness of many of its actions**

18. Councillors and senior officers show a good level of understanding of the issues in the 2013 statutory report and the Accounts Commission's findings. It is clear from discussions with councillors that the messages in the report and the findings were difficult to hear but that there is a good level of acceptance.
19. The council discussed the Account's Commission's findings on the statutory report at its meeting in November 2013. Councillors responded constructively and agreed to develop an action plan to address all of the issues raised in the audit report and findings. The [council's action plan](#) and its [summary of the recommendations](#) were developed with the input of councillors at seminar sessions facilitated by the Improvement Service. Twenty-seven of the 36 councillors who represent the people of Argyll and Bute participated in the session. At its meeting in January 2014, the council, with a majority of 31 to three votes in favour, approved the action plan and agreed that it should be submitted to the Commission.
20. The plan sets out clearly the 33 actions, the responsible officer for each action and timelines for completion. The timeline for the plan ranges from actions being completed at the end of 2013 to actions due for completion at the end of 2015.
21. The council is making progress against the timeline for implementation of its action plan. However, it is too early to make judgements about the effectiveness of most of the actions, given some are still being worked on and others need time to demonstrate results. The council has set two review points to consider progress and identify any further improvement actions required for each aspect of the plan.
22. [Exhibit 1](#) sets out the main content of the plan, with related actions summarised for simplicity. The [council's action plan, set out in full](#), is available on the council's website.



**Exhibit 1****Argyll & Bute Council Action Plan - summary of actions**

Issue and summary of actions	Timeline for actions and progress
<b>Standards</b>	<b>Review planned for December 2014</b>
• training for councillors on standards	seminar took place in March 2014
• a monitoring officer protocol	approved by council January 2014
• guidance and training for officers	development session took place March 2014 guidance due for issue in April 2014, had not yet been produced at the time of the audit
• councillors collectively reinforcing discipline	ongoing activity
<b>Governance structures and processes</b>	<b>Review planned for December 2014</b>
• Revision of the political management arrangements, ensuring clarity of purpose, roles, responsibilities and terms of reference within the arrangements	approved by council in January 2014, came into effect April 2014
• Clarity on roles of committees	in April 2014, terms of reference incorporated into the constitution and development days scheduled for each committee. These are due for completion by the end of August 2014
• Aligning councillors to committees and roles	majority of appointments completed January 2014, some refinements ongoing
• Establishing staff resources to support the new governance arrangements	due for completion April 2014, some recruitment still active in May 2014
• Revision of the report format to address councillor feedback	due for completion March 2014, issued to managers May 2014.
• Re-establish Chief Executive appraisal process	implemented December 2013
• Monitoring of staff morale	staff survey due to take place June 2014 and report November 2014
• Broaden/improve engagement with local communities through social media	due for completion December 2014
• Review of local community planning arrangements	due for completion October 2014
<b>Training and development</b>	<b>Review planned for December 2015</b>
• Improving the councillor development programme, including Improvement Service programme, peer mentoring programme,	development and sign up of all councillors due for completion November 2014



Issue and summary of actions	Timeline for actions and progress
competency based training, scrutiny training, 'master-classes' on key strategic issues	
<b>Policy development support</b>	<b>Review planned for December 2015</b>
<ul style="list-style-type: none"> <li>• Programme of seminars</li> </ul>	planning due for completion August 2014, dates of sessions agreed to April 2015, planning ongoing
<ul style="list-style-type: none"> <li>• Working groups to examine long-term strategic challenges</li> </ul>	ongoing. A new short life working group was agreed by the council in January 2014 to look at the specific needs of island communities
<ul style="list-style-type: none"> <li>• Developing the corporate and service planning framework around the SOA</li> </ul>	ongoing due for review March 2015
<ul style="list-style-type: none"> <li>• Chief Executive and Leader's briefings - meetings for the Chief Executive (and where appropriate other members of the SMT) to discuss current issues with Leader, Deputy Leader and Opposition Leader</li> </ul>	ongoing with meetings in place
<i>Source: Audit Scotland</i>	

23. The actions demonstrate an understanding of the Commissions findings and the areas covered address the issues of concern outlined in the previous audit report. Many of these issues relate to culture and behaviour. These are complex and difficult to address, and will take time and sustained effort to change. Given the relatively short period since our previous report, we did not anticipate these issues would be fully addressed yet. The council has made a start, but it will take ongoing commitment and resolve by councillors and senior management in the longer term before improvements can be fully realised and embedded.

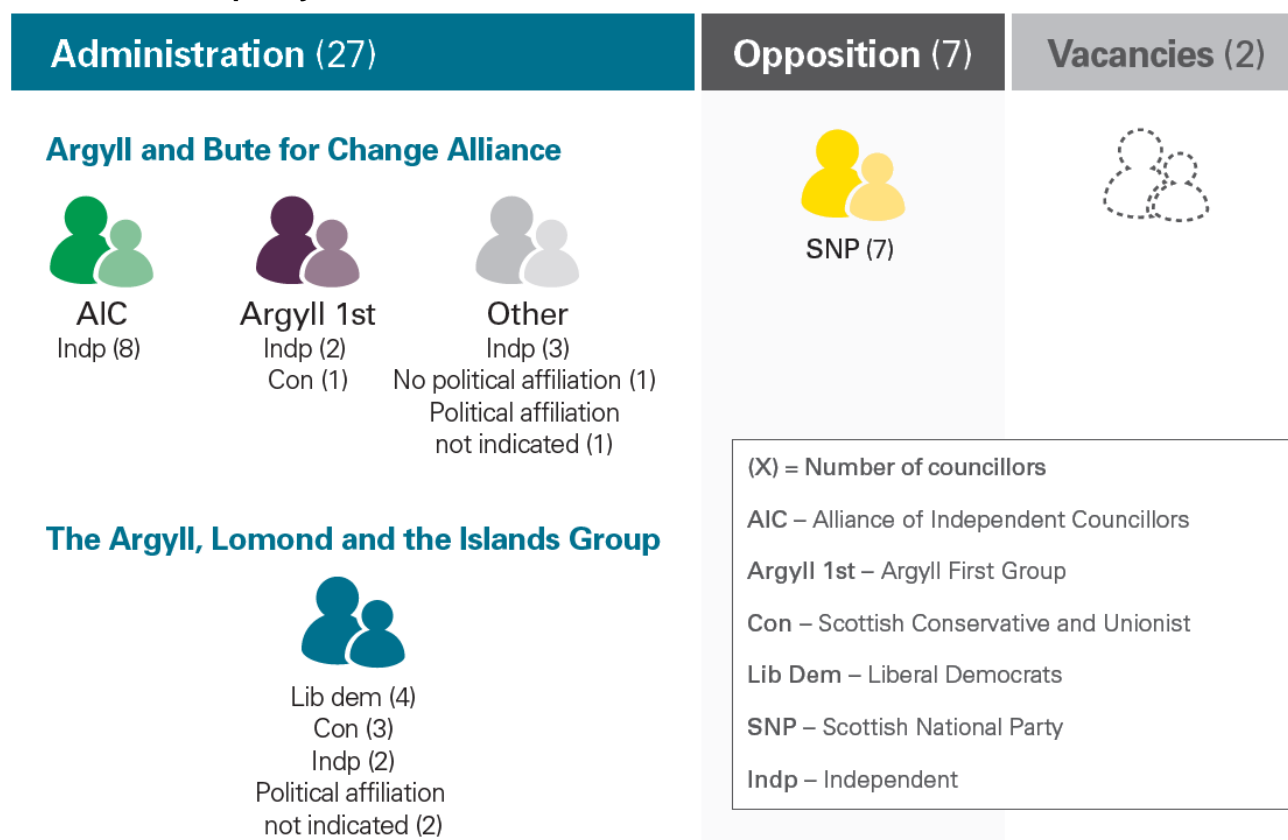
## **The leadership and political dynamics of the council are more stable but the situation remains fragile.**

24. At the full council meeting on the 26th of September 2013, a new Administration, Leader and Depute Leader of the council were agreed. The Administration consists of the members of the Argyll and Bute for Change Alliance in partnership with the members of the Argyll, Lomond and the Isles Group (TALIG). In May 2014, at the time of writing this report, the total number of councillors aligned with this administration is 27. The opposition is composed of the seven Scottish National Party (SNP) councillors. Two vacancies exist, one following the resignation of a non-politically affiliated councillor from the opposition, and one following the resignation of a SNP councillor also from the opposition. Exhibit 2 illustrates the political make up of the council at the time of writing this report.



## Exhibit 2

## Political make up May 2014



Source: Audit Scotland

## The council shows an improved sense of collective leadership

25. There is evidence of collective leadership developing in the council. The Leader (from the Alliance of Independent Councillors) works well with the Depute Leader (from TALIG). The Leader and the Leader of the Opposition have established an effective relationship to support collective leadership and co-operative working. For example, the council's budget was passed unanimously in February 2014, with the SNP applying the group whip. The Leader, Depute Leader and Leader of the Opposition jointly undertook the appraisal of the Chief Executive in December 2013 with the challenge and facilitation of an independent and experienced external advisor.
26. Senior managers express a consistent message that with better political stability they have more time to get on with improvement work and other business. The Senior Management Team (SMT) has restructured its meetings to make time for progressing a range of corporate improvement activities. This includes options for its own individual and team development arrangements as well as building on current management training and development for the wider group of senior managers in the council. Individually, members of the SMT are more outward looking than evidenced in May/June 2013, engaging in more external meetings, forums and networks. The contribution senior managers make will be important for the long-term transformation of the council.



27. There has been an increase in the visibility of the political leadership across the council, through, for example, the Leader's attendance at training seminars for senior officers. There is more external engagement too, through more public focused Leader's reports and through the Leader and Policy Leads attending more public sector forums, meetings and events.

**The political leadership's main focus has been on ensuring political and financial stability but difficult decisions in the next two years will prove challenging.**

28. The leadership of the council has actively worked on establishing stability and internal stability has been a significant focus for the Leader since his reappointment to the role in September 2013. He has provided strong direction on this.
29. In addition, the political leadership has focussed on maintaining financial stability. At its February 2014 meeting, the council approved its budget for 2014/15 in accordance with its new budget approach, agreed in November 2013. The new approach aims to maintain stability and to preserve services where possible by seeking one per cent savings (£1.8 million) across all service areas in 2014/15 and 2015/16, from a total revenue budget of £245 million. Due to the efficiency savings target, there is a projected funding surplus of £1.02 million in 2014/15 and £3.1 million in 2015/16.
30. The longer-term budgetary outlook is more challenging. The council estimates it will require to reduce expenditure over the period 2016/17 to 2019/20 by an average of around three per cent or £8 million per annum, building up to £28.565 million in 2019/20. This equates to approximately £77 million in total over the four year period. This is around 7.5 per cent less across those years than the £1.033 billion expenditure currently forecast by the council. Achieving these savings will require fundamental decisions to be made by councillors about service provision and delivery.
31. The council plans to use the two year period of financial stability (2014/15 and 2015/16) to develop and put in place proposals to address the longer term funding outlook and to consider how resources are aligned to the Single Outcome Agreement (SOA) and council priorities, future savings and options for additional income.
32. There is now a common recognition across councillors that the SOA is the primary strategic plan for the council. Delivery plans are being finalised and the council is in the process of updating its corporate priorities and service plans to align with the SOA.

**While the political dynamics of the council are more stable, some tensions are still evident**

33. The political dynamics of the council are more stable than the audit team witnessed in May/June 2013. Behaviour outside the chamber between councillors appears to have improved. Councillors did not express the concerns reported in previous audit work, and described a more stable working environment. Both councillors and officers expressed a sense of being on much more solid ground with more potential to move forward with business, improvements and strategic planning.



34. Although the overall sense of improved stability is clear, there are some underlying tensions evident that suggest this stability is still fragile. The tensions reflect residual mistrust and a degree of disquiet with current changes. This is not unexpected given the relatively short period since our previous report and that the central issues it raised were about culture and behaviour at the council.
35. There is recognition of the importance of councillors taking responsibility for standards and behaviours. In the council's action plan there is an agreed action for group discipline and leadership. The objective is that group leaders and groups collectively ensure proper conduct of their respective group members. One of the approaches taken is group protocols. The TALIG and SNP groups confirmed during the audit that they have protocols for group behaviour in place.
36. The council is responding to the Commissions' concern regarding the '*negative effect that this (political instability) is having on the council's reputation*'. For example, it produced a Leader's report recognising the issues highlighted by the Accounts Commission report. This was addressed both externally to the community and internally across the council. The council is also working on better management of the council's relationships with local press and media, increasing engagement through social media and developing arrangements for webcasting its committee meetings. The council's communications team is fully staffed and senior managers and councillors commented positively during the audit about the impact the team has made.
37. Officers the audit team spoke to were aware of the issues described in the statutory report but they felt that these had had no significant bearing on staff morale or operational work. The council plans to include relevant questions in a staff survey planned for the summer of 2014. When it considers the results of this survey, in November 2014, the council needs to assure itself about the impact of recent events on its staff and put actions in place to address any identified areas for improvement.

**The council is working to improve councillor to councillor and councillor to officer working relations but it is too early to assess the longer-term results of these actions**

38. The council's action plan includes a number of approaches to underpin improved working relations. The actions to date have contributed to the current stability but it is too early to assess the longer-term impact of these actions on councillor to councillor and councillor to officer working relationships. The council plans to undertake a review of the arrangements and actions taken to support improved standards and behaviours and report on this in December 2014.
39. In January 2014, the council approved a Monitoring Officer protocol. The aim of the protocol is to improve the effectiveness of the role of the Monitoring Officer and it sets out how the statutory duties of this role will be discharged. The protocol states that the monitoring officer '*will provide appropriate and robust advice to members so as to protect and safeguard, so far as is reasonably possible, members and officers, from legal difficulties and possible misconduct whilst acting in their official capacities.*' The



protocol has heightened awareness and engagement with the role of the Monitoring Officer amongst both councillors and officers.

- 40. In March 2014, only 16 of the 36 councillors attended a seminar that included a session on standards and behaviour. This involved input from the Commissioner for Ethical Standards in Public Life in Scotland. Councillors need to recognise the importance of attending seminars and training sessions. The council should review why the attendance at this session was low, particularly given the profile of this issue in the council and consider whether further or different approaches to training on this would be beneficial to councillors.
- 41. Also in March, a training session took place for the wider management team, including the SMT, heads of service and service managers. This included sessions on positive councillor and officer relations, and how to respond to unacceptable behaviours. The council plans to provide a guidance document for senior officers on managing councillor expectations and on councillor and officer roles and responsibilities. This was originally planned for April 2014 but has not yet been produced.
- 42. Councillors' views about the quality and accessibility of the reports they receive remain mixed. Some of the issues around trust in the content of reports are still evident. Officers have recently redeveloped their reporting template and plan to trial this in the forthcoming cycle of meetings. The new format includes an executive summary. The redevelopment process intends to include ongoing consultation about the quality of reports with all councillors. Senior officers have also developed a clear and detailed guidance document for staff about producing reports and for contributing at committees. It is however, too early to judge the effectiveness of these actions.

**Councillor training and development is progressing, but improvement is required in the level of engagement by councillors**

- 43. It is important that councillors have access to and attend good quality information and training sessions on strategic issues. Officers have continued to develop the training and development arrangements for elected members and the engagement of councillors with them has improved. Officers report that the number of councillors signed up to Continuing Professional Development arrangements has increased from six to 24. The council's aim is to achieve full participation in the member development programme by November 2014.
- 44. During the audit, councillors were positive in how they described the importance of and the need to engage in training and development. They were positive about the training they receive but expressed mixed preferences on how to engage in training. The council needs to ensure, where possible, that technology based and other options for training are accessible to councillors. This is particularly important given the geography of the area, although councillors need to recognise and make use of the range of technology based and other options already offered. Council officers expect to monitor and refine training arrangements on an ongoing basis, but the council plans a more formal review



of progress and the impact of councillor training and development arrangements with a report expected in December 2015.

45. Attendance at seminars over the six months period since October 2013 varies and improvement is required. While there are challenges in increasing attendance at seminars, given the council's geography, the other commitments councillors have and some events being targeted at those with an interest in specific issues, it is important that these are not barriers to effective engagement. Video conferencing facilities have been introduced and this has the potential to support councillors' engagement in training. In the six month period since October 2013, nine seminars have taken place on a range of issues - [Exhibit 3](#).

### Exhibit 3

#### Attendance at member seminars between October 2013 and April 2014

10 October	<ul style="list-style-type: none"> <li>review of children and families social work services</li> </ul>	14 attendees
31 October	<ul style="list-style-type: none"> <li>launch of CPD framework</li> </ul>	23 attendees
11 November	<ul style="list-style-type: none"> <li>budget review</li> <li>health and social care integration</li> </ul>	23 attendees
18 November	<ul style="list-style-type: none"> <li>Improvement Service workshop</li> </ul>	27 attendees
9 December	<ul style="list-style-type: none"> <li>civil contingencies</li> </ul>	17 attendees
13 January	<ul style="list-style-type: none"> <li>statutory report action plan</li> </ul>	26 attendees
3 March	<ul style="list-style-type: none"> <li>local development plan</li> <li>Commission for Ethical Standards</li> <li>health and social care integration</li> </ul>	16 attendees
17 March	<ul style="list-style-type: none"> <li>Single Outcome Agreement and delivery plans update</li> <li>next generation broadband</li> </ul>	18 attendees
7 April	<ul style="list-style-type: none"> <li>strategic risk register</li> <li>marine renewable planning</li> <li>mobile infrastructure</li> </ul>	21 attendees

Source: Argyll and Bute Council

46. The council has a programme of monthly seminars planned for the future. Officers recognise that the new committee structure and specific briefings for individual committees is likely to change the remit and content of the seminars. A review of the seminar arrangements is planned for the end of the calendar year.



## New political management arrangements provide a foundation for improved governance

**The new committee structure is intended to provide better governance but it is too early to assess its effectiveness**

47. The six months between the publication of the previous audit report and April 2014, was a period of transition for the council. As it considered and developed new ways of working, it continued to function with the political management arrangements illustrated in [Exhibit 4](#).

### Exhibit 4

#### Political governance structure June 2012 to April 2014



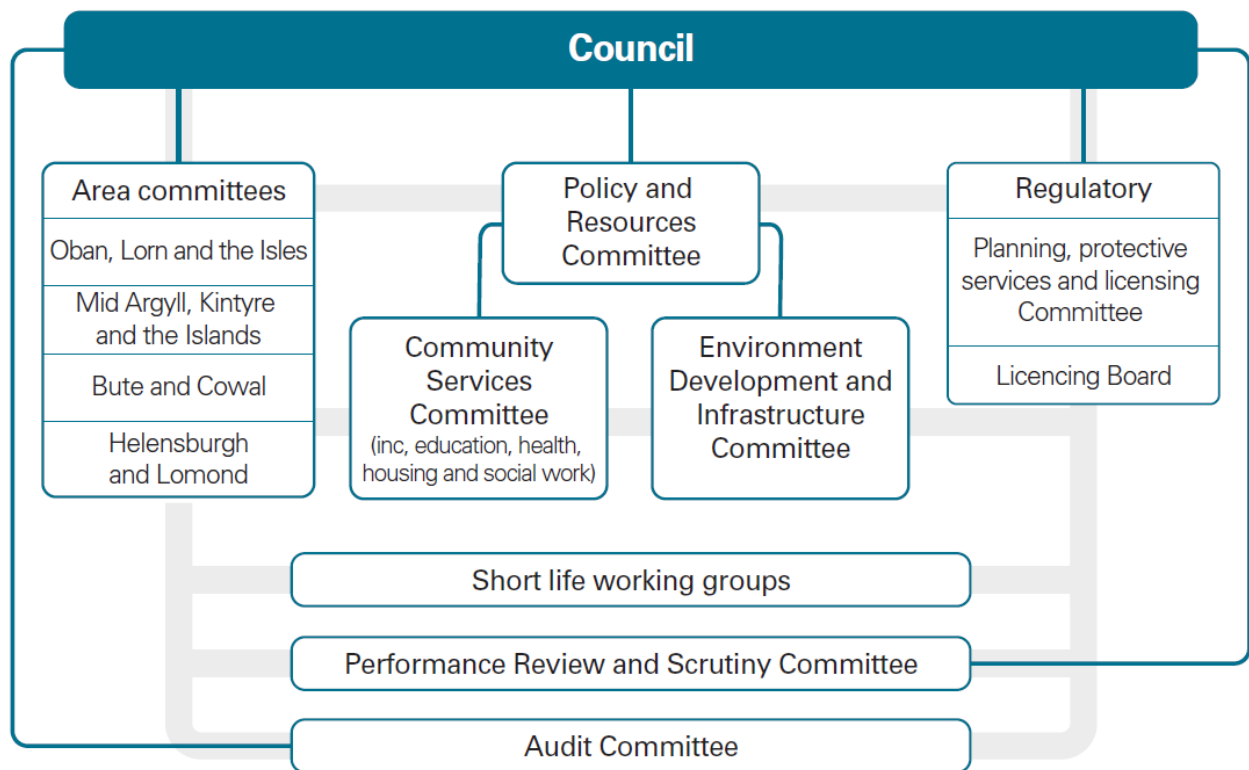
Source: Audit Scotland

48. While council meetings continued to have long agendas, with limited scope for detailed discussion on policy development or scrutiny, the council did continue to conduct business. It approved its budget, made progress with realigning its priorities with the SOA, and made some decisions relating to issues such as health and social care integration, the schools estate, education management arrangements, and external funding requests. With improved stability, the council is in a better position to make progress with planning and delivering its strategies, and monitoring its performance.
49. The council had agreed in June 2013 to establish a short life working group to consider proposals for new political management arrangements and structures. The group initially planned to report its findings to the council in August. In fact, it reported its progress to full council meetings across the period from August to December 2013. In January 2014, the group reported its findings to the full council and new arrangements were approved. Although this process has taken longer than originally planned, the council has benefited from taking more time to consider the options and plan detailed arrangements.
50. [Exhibit 5](#) shows the council's new political governance structure.



## Exhibit 5

## Political governance structure April 2014



Source: Audit Scotland

51. The new arrangements include the introduction of a Policy and Resources Committee, Community Services Committee, and Environment, Development and Infrastructure Committee. The new committee cycle will mean a change from monthly full council meetings to one every two months, with an additional meeting in February for consideration of the budget.
52. At the time of the audit work, initial committee meetings for the new arrangements were starting to take place. It is too early to assess the effectiveness of the committees or the wider political management arrangements. However, the arrangements provide the potential for significantly improved governance.
53. Councillors demonstrate a good level of engagement and understanding of the principles of the new arrangements. They were developed through a cross party short life working group of 12 members, and then all councillors were asked to provide a response indicating which committees they would have an interest in and why. This information was used to assist in allocating positions on the committees. In the audit interviews, councillors generally seemed satisfied with the process and outcomes.
54. The three new committees should provide scope for improved depth and range of discussion for developing policy and scrutinising implementation and performance. The council has also retained the option of establishing short life working groups to provide a



forum for detailed discussion on strategic issues. For example, in January 2014, the council agreed to establish a working group on island issues, to investigate and respond to the specific issues and needs of these communities.

55. Initial business for each of the committees includes arranging a development day. The purpose of this, as stated in a report to the first of the new committees, is to '*...facilitate shared understanding of the key issues to be considered by each committee and to facilitate good governance. It was also agreed that each committee would develop a work plan and forward agenda*'. The work is intended to be '*...linked to key strategic priorities and outcomes, the Single Outcome Agreement, corporate and community plans and that a policy development and overview progress report would be submitted from each central committee to the policy and resources committee for noting every six months*.'
56. The new arrangements include increased financial and local policy responsibilities for the four area committees [Oban, Lorn and The Isles; Mid Argyll, Kintyre and Islands; Bute and Cowal; and Helensburgh and Lomond]. It is too early to assess the effectiveness of these changes but they offer the opportunity to support a better process for integrating strategic and local priorities.
57. The council also agreed an increased remit for the four area committees. The changes include for example, responsibilities to:
- approve area policies in relation to the delivery of council services consistent with council wide policy
  - make recommendations on plans and proposals for local service delivery and planning within their area, including prioritisation of expenditure, which are consistent with council policy and within the available financial allocations
  - consider and prioritise revenue and capital expenditure estimates for their area and to make recommendations to the council in relation to these
  - approve the acquisition, sale or lease of land or buildings within their area
  - maintain strong links with local communities, community organisations and local community planning structures
  - act as the CHORD<sup>1</sup> programme project boards.
58. The council has recognised the importance of having sufficient resources in place to support the new committees and the increased responsibilities of the area committees effectively. In February 2014, the council provided £250,000 in its budget for further staff to support the governance arrangements. Recruitment campaigns to fill the posts in the new support structure are nearing completion.
59. For the new political management arrangements to function effectively the council needs to ensure there is sustained clarity and understanding about the roles and

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<sup>1</sup> CHORD is a regeneration and economic development programme that started in 2008 in five of Argyll and Bute's waterfront towns - Campbeltown, Helensburgh, Oban, Rothesay and Dunoon.



responsibilities of each committee, subgroup and individual role, such as policy lead and shadow lead, within the arrangements. Equally important is effective communication. Good intelligence about connected issues, and information flows across the committees, groups and lead roles is fundamental if the new structure is to meet its potential as an effective and transparent governance framework. The council recognises these issues and has included them on the agendas for consideration at its committee development days. The provision of additional staff to support the new arrangements is also intended to contribute to effective communication.

**Policy leads have the potential to play a significant role in the political management arrangements but it is too early to assess the effectiveness of these roles**

60. The council has continued with the principle of lead councillors. In October 2013, the council agreed eleven policy lead councillors and ten deputy policy leads. Administration councillors submitted applications for these positions and the political leadership decided the appointment of each policy lead and deputy policy lead. The thematic remits are:
- Island affairs
  - Adult care
  - Strategic finance
  - Roads, amenity services, infrastructure, asset management and special projects
  - European affairs, sustainable economic growth, and strategic transportation
  - Improvement, HR, customer support, and facilities services
  - Community and culture, and strategic housing
  - Sustainable environment, renewables and strategic tourism
  - Education, lifelong learning and strategic IT services
  - Planning, protective services and licensing
  - Children and families
61. Policy leads have a significant part to play in the new arrangements and there is better clarity about their role. The expectation is that these councillors take a special interest in staying informed on issues within their remit and take a lead role in the development of policies. The council expects policy leads to chair relevant items at the strategic committees. The role also includes being appointed to relevant external bodies and representing the council at external meetings such as applicable CoSLA<sup>2</sup> groups.
62. The role has the potential to make an important contribution to ensuring effective communication between the different layers of the political management arrangements. For these lead councillors to fulfil this role effectively they will require good support and engagement from officers and from other councillors.

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<sup>2</sup> Convention of Scottish Local Authorities



63. There are indications that initial progress is being made by the relevant councillors to establish these roles, however, it is too early to assess impact. Discussions with councillors and officers in audit interviews indicate that the policy leads are actively developing relationships with the key officers and beginning to make external connections. The engagement with deputy policy leads is variable and this still needs to mature. Similarly, developing relationships with shadow policy leads is at an early stage and needs time to develop.

**Scrutiny still needs to improve. Inadequate attendance at the Audit and PRS Committees limits the effectiveness of governance and accountability at the council**

64. The new committees offer a platform for improved policy and service scrutiny but the Audit and PRS Committees are not fully effective. The remits of these committees play a central role in ensuring good governance and accountability of the council, but attendance at these committees has been inadequate to support effective scrutiny.
65. Between October 2013 and April 2014, the audit committee met in December and in March. At the meeting in December, two councillors were present and at the meeting in March, one councillor was present. The total complement for the audit committee set out in the council's constitution is five councillors. The meetings were only quorate due to the attendance of the lay chair and deputy chair, who are external to the council but are voting members of the committee. Therefore, non-elected members of this committee were equal in number or outnumbered elected members when considering council business. Items on the agendas for these meetings included for example:
- The external auditor's annual report
  - An update on the internal audit improvement plan
  - Internal audit reports
  - Annual audit plan draft
  - Monitoring of the strategic risk register
  - Post completion reviews for capital projects
66. Over the same period, the PRS Committee met in November 2013 and February 2014. The committee membership includes seven councillors, an external non-elected chair and three community planning partner representatives. At the meeting in November, attendance by councillors was good with all seven councillors in attendance. In February, three of the seven member councillors attended and two non-elected members of the committee. As with the Audit Committee, non-elected members of this committee can outnumber the elected members. Items on the agendas for these meetings included for example:
- Attendance management
  - Quarterly council and departmental performance reports
  - Single outcome agreement progress and annual report
  - Corporate improvement plan progress report



67. In our [2008 Best Value and Community Planning progress report](#), we acknowledged the council's *'innovative approach to its Audit Committee, with the appointment of external, non-executive members as chair and vice chair'*. However, the attendance and commitment of the elected members on these committees is also essential. The council needs to consider the implications for accountability when more unelected representatives than councillors can be scrutinising issues such as performance, internal governance arrangements and risk management.
68. The new strategic committees have the potential to be important forums for policy, project implementation and performance scrutiny. It is important that the scrutiny remit of the new committees, in particular the Audit and PRS committees, are clearly understood and that there is communication between these committees to support consistent and effective governance and accountability.
69. The area committees are important contributors in the council's scrutiny arrangements. Councillors said that some progress has been made with performance reporting in these committees, with scorecards and reporting by exception. However, they felt that the quality of supporting information was inconsistent and they want better explanatory information presented. Senior management has discussed these matters, is planning improvements and is currently developing arrangements to support scorecard performance information for area committees with descriptive explanations.



# Areas for Improvement

70. The audit work has found that there is an improved sense of political stability at the council and that the new political management arrangements offer the potential for improved governance. The council has responded constructively to the Accounts Commission findings and is making progress against its action plan. However, the situation is fragile and it is too early to make judgements about the effectiveness of many of the recent improvement actions, given some are still being worked on and others need time to demonstrate results. It is important therefore that the council continues to make progress with its improvements and it should:

- Ensure that the new political management arrangements are fully implemented and councillors and officers have a clear and common understanding in practice of the roles and responsibilities of each committee, sub-group and individual role.
- Ensure there is good communication and information flows across committees, groups and those with lead roles in the political management and governance framework. Councillors with policy lead roles will require good support and engagement from officers and from other councillors.
- Ensure that scrutiny arrangements are strengthened, in particular, through the new committees and by improving the contribution of councillors to effective governance and accountability through the Audit and Performance, Review and Scrutiny Committees.
- Support and encourage councillors to increase their engagement in training and development opportunities. Councillors should work with officers to further improve the accessibility and effectiveness of training and development approaches. This is important to ensure all councillors are fully prepared for challenging strategic issues and difficult decisions ahead.
- Ensure the SMT makes progress with its leadership and team development arrangements, builds on current management development programmes and, ensures that the operational leadership of the council is as well equipped as possible for the challenges ahead.
- Assure itself about the impact of recent events on its staff and put actions in place to address any identified areas for improvement.



# Appendix

## Accounts Commission findings on the Statutory Report - October 2013

1. The Commission accepts the Controller of Audit's report on Argyll and Bute Council.
2. The Commission is seriously concerned about substantial risks to the council caused by the instability of leadership by elected members since the last council election. The council's ability to set and maintain a clear strategic direction is at risk of being compromised and the Commission is concerned that this will, in time, negatively affect the services that the council provides for the people of Argyll and Bute. We are also concerned about the negative effect that this is having on the council's reputation.
3. The quality of leadership of the council has been inadequate. We urge the elected members and the corporate management team to work together to provide stronger and effective leadership of the council. Effective working relationships between elected members, and between members and officers, need to be based upon mutual trust, respect and transparency. Elected members need to achieve a more effective balance between focusing on local issues and priorities and the longer term strategic objectives of the council and the best interests of the whole community of Argyll and Bute.
4. The Commission underlines the importance of the role of Monitoring Officer in supporting good governance. The role needs to be afforded trust and respect. Equally, members must have confidence in the comprehensiveness of information provided by officers to enable them to make considered decisions.
5. The council's current political management arrangements are not fit for purpose. The role that the full council plays is unsustainable and progress in securing effective scrutiny arrangements has been inadequate.
6. We are encouraged that the council recognises the need to change its political decision-making structures: it is crucial that the conclusions awaited from the short life working group established in this regard are considered carefully by the council. We await with interest to see how this is taken forward. Any new structure needs to be understood by all who fulfil a role in those structures, and all members need to engage fully in the new arrangements.
7. The challenges faced by Argyll and Bute Council are not unique. We are therefore pleased to note that the council recognises the value in seeking support from external sources: we would urge that this continue to be exploited through, for example, the use of peer support. We underline the importance of training and development support for all members. Elected members and officers must work together to ensure fuller use of - and participation in - such support.
8. There is much work to be done by the council and we note a further recent change in the council's political leadership. The Commission expects urgent progress to be made in early course. We require a further report by the Controller of Audit on the progress made by the council over the next six months.



**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**REPORT BY ASSISTANT AUDITOR GENERAL**

**BENEFITS PERFORMANCE AUDIT ANNUAL REPORT**

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**Purpose**

1. The purpose of this report is to advise the Commission of the outcome of Audit Scotland's benefits performance audit work during 2013/14. It also provides an update on welfare reform.

**Background**

2. In April 2008, the Accounts Commission took over the responsibility for auditing housing and council tax (HB/CTB) services in Scotland from the Benefit Fraud Inspectorate. This work is known as the benefits performance audit. The responsibility for auditing HB/CTB under these arrangements continued until 31 March 2013 when CTB was replaced by the Scottish Council Tax Reduction scheme (CTRS). The CTRS is audited as part of the annual audit of each council. From April 2013, the benefit performance audit only covers HB.
3. The main objective of the performance audit is to help councils improve their benefit services but it also holds councils to account for any failing services. The audit has two phases:
  - a risk assessment phase that identifies risks to continuous improvement
  - a focused audit phase that examines the service, or parts of it in more detail if a council is unable, or unwilling, to reduce key risks identified.
4. Risk assessment reports are provided to council Chief Executives who prepare an improvement plan detailing the actions with associated timescales that they will take to address identified risks.
5. Ten risk assessment visits were completed during 2013/14. Following receipt and review of council improvement plans, progress reports were requested from six councils. Three of these progress reports relate to risk assessment reports issued in 2012/13.
6. A review was undertaken in order to establish to what extent HB customers are using council web services to determine entitlement and make applications online.
7. A second review was undertaken of the HB/CTB subsidy claims from 2012/13 to provide insight into the extent to which local authorities lost subsidy.

**Recommendation**

8. The Commission is invited to note the outcomes of the benefit performance audit work from April 2013 to March 2014.

**Russell Frith**  
**Assistant Auditor General**  
**10 June 2014**



# Benefits Performance Audit Annual Update 2013/14





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 Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.



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# Contents

<b>Purpose .....</b>	<b>4</b>
<b>Key messages .....</b>	<b>4</b>
<b>Background .....</b>	<b>4</b>
<b>Work carried out during 2013/14 .....</b>	<b>5</b>
<b>Thematic studies .....</b>	<b>6</b>
Claiming housing benefit online .....	6
Review of recovery of benefits subsidy in 2012/13 .....	7
<b>Key issues from 2013/14 Risk Assessments .....</b>	<b>7</b>
Outcomes of the risk assessments .....	7
Good practices identified .....	9
Areas for improvement .....	11
Welfare reform .....	12
Stakeholder feedback .....	13
<b>Appendix A – The 2013/14 risk assessment programme .....</b>	<b>16</b>
<b>Appendix B – Progress reports requested during 2013/14 .....</b>	<b>17</b>



# Purpose

1. In April 2008, the Accounts Commission took over the responsibility for auditing housing and council tax benefit (HB/CTB) services in Scotland from the Benefit Fraud Inspectorate. This work is known as the benefits performance audit and this paper invites the Accounts Commission to note the outcome of Audit Scotland's benefits performance audit work for 2013/14.

# Key messages

2. Audit Scotland has found that well managed benefit services can deliver high quality services for claimants in a time of increasing workloads, reduced funding and uncertainty.
3. However, having sufficient, experienced staff continues to be a significant issue for a number of councils. A lack of effective planning and management of major projects such as IT system implementations has led to significant disruptions to normal service levels and significant time delays in returning to target service performance levels in some councils.
4. During 2013/14 we visited 10 councils and identified 64 risks to continuous improvement with councils accepting all but one of these risks. We found 86% of risks identified at previous risk assessments had been either fully or partially addressed. Council feedback on the audit process is positive.
5. Looking forward, UK Government welfare reforms continue to have a significant impact on councils. The majority of HB claims are due to migrate to Universal Credit (UC) during 2016 and 2017. Once HB is fully migrated, it will end the devolved administration of HB to councils. There remains uncertainty around the specific timing of the migration of HB to UC, specifically for claimants who have reached the qualifying age for Pension Credit, and the on-going role councils will play in the delivery of UC.

# Background

6. The Accounts Commission's responsibility for auditing HB/CTB under these arrangements continued until 31 March 2013 when CTB was replaced by the Scottish Council Tax Reduction scheme (CTRS). The CTRS is audited as part of the annual audit of each council. From April 2013, the benefit performance audit only covers HB.
7. In Scotland, one in five households received financial support to help pay for their rent during 2013/14 in the form of means tested HB. Scottish councils paid out £1.78 billion in HB awards in 2013/14. This represents a 1% decrease from 2012/13 in HB awards paid out. Councils received £40.83 million in funding from the Department for Work and Pensions (DWP) to



deliver HB services in 2013/14. This consisted of £38.92 million in administration grant plus an additional £1.91 million of funding due to the economic downturn.

8. The main objective of the benefit performance audit is to help councils improve their benefit services but it also holds councils to account for any failing services. The audit has two phases:
  - a risk assessment phase that identifies risks to continuous improvement
  - a focused audit phase that examines the service, or parts of it in more detail if a council is unable, or unwilling to address key risks identified in phase one.
9. Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions with associated timescales that they will take to address identified risks. These reports are also copied to the DWP to provide assurances over how Scottish councils are performing.
10. When a focused audit is required the Controller of Audit prepares a report to the Accounts Commission. Focused audit reports are provided to council Chief Executives and are also copied to the DWP and published on the Audit Scotland website.

## Work carried out during 2013/14

11. The current round of risk assessments commenced in June 2013. We revised our risk based model to ensure that the councils representing what we considered to be the highest risk were assessed first.
12. Ten risk assessment visits were planned and completed during 2013/14. Appendix A contains the details of the councils visited during 2013/14.
13. Following receipt and review of council improvement plans to address the risks identified in our risk assessment reports, progress reports were requested from six councils. Three of these progress reports relate to risk assessment reports issued in 2012/13. The details are in appendix B.
14. To date, progress reports have been received from all councils with the exception of Perth & Kinross Council which is due to be received in July 2014. Due to further improvement being required by Aberdeen City Council, and to review the impact of improvement activity underway with the DWP, a further update has been requested by the end of July 2014. A further update has also been requested from South Ayrshire Council to ensure the recent improvement activity has the planned impact on performance. Action taken to address risks was considered to be satisfactory in all other updates received.



# Thematic studies

15. In line with Audit Scotland's objective of identifying and sharing good practices, two thematic studies have been undertaken.

## Claiming housing benefit online

16. A review was undertaken in order to establish to what extent HB customers are using council web services to determine entitlement and make applications online. The report highlighted areas of concern as well as areas of good practice that could be used by councils to improve access for customers to the HB claim process.
17. The key findings were as follows:
- on average, a customer would have to click three links from the council "home" page to access an HB application form
  - only 17 (53%) councils provided customers with direct access to HB information from the website homepage
  - five (16%) councils did not provide customers with a facility to download an HB application form
  - only eight (25%) councils had a fully automated online HB claims process
  - 28 (88%) councils provided customers with access to a benefit calculator.
18. In order to increase the number of HB claims that are made digitally, and to help customers with the transition in an efficient and effective manner, there were a number of actions identified that councils could take to improve the user experience These include:
- having a direct link to HB information on the council homepage
  - providing customers with an easy to access benefit calculator
  - having a facility to complete an application for HB online, or to download an HB application form for offline completion
  - ensuring that councils are able to track the number of HB applications being made electronically, including the ability to record and monitor the number of times the benefit calculator is used and other HB information pages are accessed
  - providing customers with free online training, or assistance at council offices, on how to complete an online application for HB, and helping customers to set up an email account so that councils can provide electronic updates in respect of the progress of their claim
  - having a number of locations where customers that do not have access to a personal computer, or who are in an area with limited access to broadband, are able to access the council website, complete an online application, and receive advice and guidance, if required.



## Review of recovery of benefits subsidy in 2012/13

19. A review was also undertaken of the HB/CTB subsidy claims of all 32 Scottish councils for 2012/13 to provide insight into the extent to which local authorities lost subsidy. The review focused on errors identified by councils and auditors as well as spending by local authorities which was not fully funded by the DWP and was therefore a direct cost to local authority budgets.
20. It was established that during 2012/13, Scottish councils paid out £2.17 billion in HB and CTB awards. The DWP contributed £2.12 billion to this expenditure through subsidy payments, with the balance of £50 million being met directly from local authority budgets.
21. Our review identified that there was a significant variance in terms of the percentage of expenditure recovered from the DWP in respect of HB for properties rented from local authorities and properties rented from private landlords or housing associations. For HB on properties rented from local authorities, known as rent rebates, the percentage of HB expenditure recovered from DWP varied between 72.4% and 99.1%. The percentage of HB expenditure recovered for properties rented from private landlords or housing associations, known as rent allowances, ranged from 96.4% to 99.2%. The lower rent rebate recovery rate for some councils is due mainly to the loss of subsidy on expenditure to discharge local authorities' statutory homeless duty.
22. The main areas where local authorities lost subsidy and incurred cost included:
  - £32.4 million of expenditure on HB and CTB overpayments
  - £11.2 million of expenditure for benefit claimants housed in temporary board and lodging, leased or licensed accommodation to discharge councils' homeless duties
  - £4.3 million on rent allowance claims administered under the rules which were in force up to January 1996.
23. The certification of the 2012/13 subsidy claims by auditors identified errors which, if the DWP decide to reclaim subsidy, will result in a further £0.5 million to be met from local authority budgets.
24. Councils may be able to seek recovery of some overpayments from claimants, where appropriate, but there are costs involved in doing so, principally staff time.

# Key issues from 2013/14 Risk Assessments

## Outcomes of the risk assessments

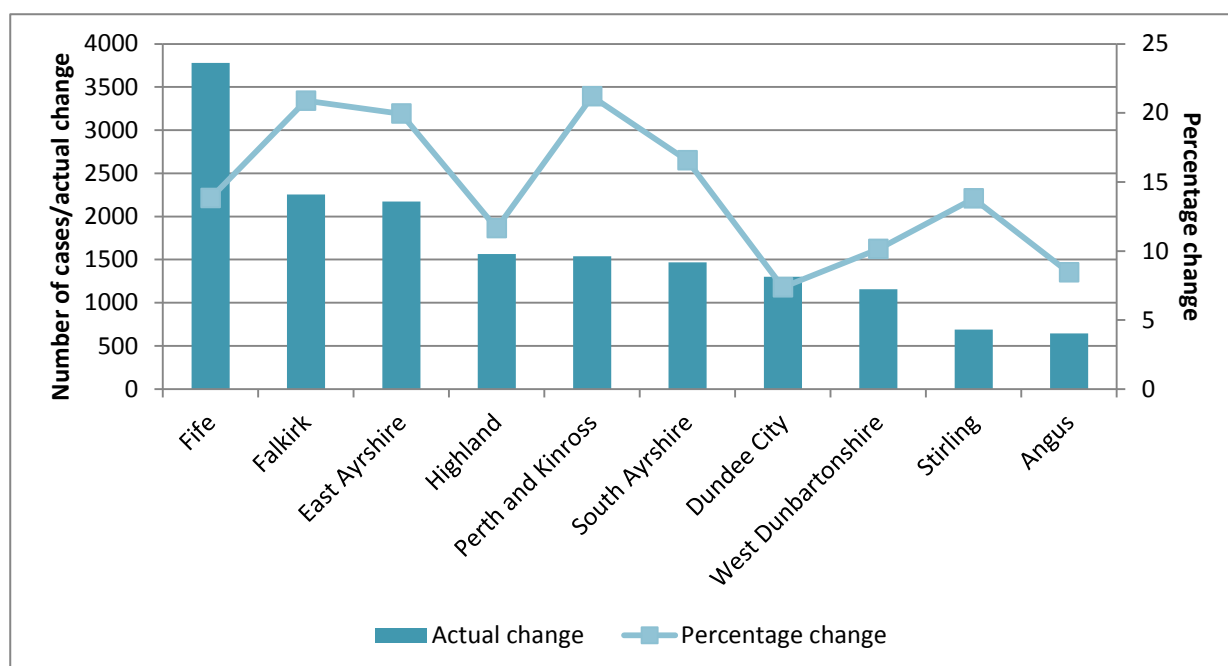
25. Audit Scotland identified 64 risks to continuous improvement (129 in 2012/13) in the ten risk assessment visits carried out in 2013/14. We are pleased to report that no risks to continuous



improvement were identified in Angus Council. Our work identified that 86% (134 out of 155) of previously agreed actions had been either fully or partially implemented.

26. Improvement plans have been received from all councils visited with the exception of East Ayrshire Council which currently is in the process of preparing its action plan. Analysis of the risks identified shows that:
  - 98% (100% in 2012/13) of the identified risks were fully accepted by councils
  - 33% (21/64) of these risks were carried forward from previous risk assessments, with ten of these risks carried forward in East Ayrshire Council.
27. Councils have cited increased workload, staffing issues and welfare reform pressures as reasons why not all agreed actions have been implemented. In two councils, East Ayrshire Council and Falkirk Council, the benefit IT system was upgraded during 2012/13 which resulted in these councils being unable to process benefit claims for a minimum of four weeks. This had a detrimental effect on the time taken to process new claims in both councils. At the peak, Falkirk Council was processing claims in an average of 64 days, while East Ayrshire Council was taking an average of 75 days. To put this into context, the Scottish average for processing new claims at this time was 30 days.
28. The same system upgrade occurred in another three Scottish councils. However in these councils, DWP performance statistics show that performance did not decline as much during the implementation phase. The speed of processing performance has improved in both East Ayrshire Council and Falkirk Council with 32 days and 28 days reported respectively for processing new claims in January 2014.
29. Between November 2008 and November 2013, there has been a 12.75% (53,432) increase in HB claims in Scotland. The exhibit below details the caseload increase for the ten councils we visited.



**Exhibit 1: Change in caseload between November 2008 and November 2013**

30. It is clear from our work that where benefit services are well managed they can deliver value for money and high quality services for claimants in difficult economic circumstances although the availability of sufficient experienced and skilled staff continues to have a significant effect on performance in some councils.

## Good practices identified

31. A number of innovative initiatives and areas of good practice have been identified in Scottish benefit services during 2013/14. Many of these can be tracked back to the actions taken by councils to address the risks identified in our first round of risk assessments. The initiatives and areas of good practice identified during our visits include:

### Business planning and reporting

- Angus Council sets targets for all operational areas, and senior managers within the benefit service meet regularly to review service performance, discuss any variances and agree any appropriate action. In addition, key performance information, including speed of processing, overpayments, complaints and costs, is reported to senior officers and made available to the public on the council's website. Regular feedback on processing and accuracy performance is provided to staff to ensure that each member of staff fully understands how their individual performance impacts the overall service performance and delivery. The council has also introduced daily processing targets. Performance is evaluated daily by the benefit service management team and used to agree priorities for the next day. This effective management of productivity on a daily basis has improved overall performance across all areas of the service.



- In Perth and Kinross Council, a working group of processing staff developed and recommended the implementation of individual productivity and accuracy targets. Individual performance is now routinely measured and evaluated.

### **Delivering outcomes**

- Stirling Council provides a visiting service for housebound customers, and has also introduced an initiative whereby volunteers from the community are provided with training to identify customers that might be entitled to benefit, or who might be affected by the changes arising from the welfare reform agenda. These volunteers known as 'spotters/referrers' help customers to contact the appropriate department for more information, guidance and support.
- In Fife Council, a Local Services Network (LSN) is in place to provide the customer facing aspect of the benefit service. A service level agreement is in place setting out roles and responsibilities and key performance indicators. A timed appointment system and a text reminder service have increased the percentage of customers that have attended appointments from 70% to 90%. Since April 2013, the LSN has delivered 98% of application forms fully completed to the benefit service.

### **Speed of processing**

- Stirling Council has consistently been one of the top performing Scottish councils for the speed of processing new claims, and changes of circumstances. This is partially due to:
  - the recruitment of higher skilled staff to replace officers that had left the service
  - managing to retain high levels of knowledge and experience in the benefit service
  - making good use of the DWP's Electronic Transfer of Data, and Automated Transfer to Local Authority Systems (ATLAS) to automate processes, where possible
  - providing each member of staff with training in a specialism, for example homelessness claims, and reviewing this annually. This has provided staff with greater experience and confidence to make decisions across a number of areas of the business.
- The introduction of DWP's ATLAS notifications resulted in a significant increase in the number of changes all benefit services receive. This has been problematic for a number of councils. The Highland Council limited the impact of this by initially implementing ATLAS in only one of its eight area offices. This allowed the benefit service to clear all ATLAS notifications on a daily basis, and with the remaining seven area offices concentrating on processing claims, backlogs of work were avoided. This controlled implementation allowed the service to fully test and review working practices before a wider roll out across the service.
- Similarly, Angus Council maintained its strong speed of processing performance by fully testing and refining its processes for dealing with ATLAS notifications and avoided any significant backlog of work.



- A number of Scottish councils are considering or have implemented risk based verification (RBV) where more intense verification activity is focussed on claims more prone to fraud and error. RBV can also deliver efficiencies in processing times. In a number of cases, RBV is being introduced in conjunction with an integrated online claim form which again should help deliver efficiencies.

### **Accuracy**

- Angus Council's quality checking regime targets more complex and higher risk claims, in particular cases involving self-employed income, tax credits and earned income. Performance reports to management detail the outcome of the checking activity and inform decisions on where future checking will be focused. A summary of each member of staff's performance is also compiled and discussed with individuals.

### **Interventions**

- Stirling Council's structured approach to interventions yields a high return in terms of the percentage of changes identified. An annual programme of targeted intervention activity targeting a different type of claimant each calendar month is in place to focus activity on high risk areas.
- South Ayrshire Council reviewed its risk based intervention programme in light of the change notifications it now receives through ATLAS. As a result it only includes those cases which include elements not notified through this source, such as earned income. Analysis of results shows that while the number of interventions carried out during 2013/14 significantly reduced they have been effectively targeted.

### **Counter-fraud**

- Fife Council has an excellent relationship with the DWP's Fraud and Investigation Service (FIS), and referrals where a DWP benefit is in payment are referred to FIS and a joint investigation carried out. This approach has been particularly successful for the council, and in 2012/13 it was the top performer in Scotland in respect of the number of joint sanctions carried out with FIS.
- Dundee City Council identified a potential risk in that it could lose invaluable knowledge and experience when the DWP's Single Fraud Investigation Service (SFIS) takes over responsibility for the investigation of HB fraud from local authorities from 2014/15. The council has taken a proactive approach to address this risk by putting a Corporate Fraud and Corruption Policy and a Corporate Fraud Action Plan in place which adopt the National Fraud Authority's (NFA) 'Fighting Fraud Locally' strategy. This allows the counter-fraud team to carry out investigations in specific high-risk pilot areas such as the Scottish CTRS, housing tenancies, and blue badges.

## **Areas for improvement**

32. Audit Scotland has identified the following as the key areas of risk during 2013/14:



- Having sufficient, experienced staff is a significant issue for a number of councils. Experienced officers have left many benefit services and councils have had difficulty in some instances in replacing these officers. Where staff have been replaced, the incoming officers have required significant training before becoming fully effective.
- A lack of effective planning and management of major projects such as IT system implementations. In particular not planning effectively for the disruption to normal service levels and returning to target service performance levels.
- Weaknesses in business planning and performance reporting.
- A reduction in effective intervention activity and limited analysis of intervention outcomes to help identify trends and patterns which could help deliver a more effectively targeted intervention approach.
- A lack of targets for the recovery of overpayments and a lack of analysis of overpayments raised to determine the cause with a view to identifying any necessary changes to processes that could minimise overpayments occurring.
- A decline in speed of processing performance.
- A decline in accuracy performance and accuracy checks not being completed effectively.

## Welfare reform

33. Scottish councils continue to work with partners to implement changes to help deliver the UK government's welfare reform agenda. During 2013/14 Scottish councils have:
- Been involved in piloting and testing various aspects of welfare reform. This includes the UC pathfinder in the Inverness area, a digital inclusion pilot in Dumfries and Galloway, a budgeting and financial support pilot in North Lanarkshire and an employability project in West Dunbartonshire.
  - Carried out significant customer engagement to ensure welfare reform changes are communicated.
  - Despite being faced with tight deadlines, successfully implemented systems to issue community care grants and crisis payments from the Scottish Welfare Fund from 1 April 2013.
  - Implemented the Scottish CTRS to replace CTB from 1 April 2013.
  - Awarded a significantly increased volume and value of Discretionary Housing Payment (DHP) awards. The administration of DHP budgets was especially challenging due to the original DWP funding allocation at the start of the financial year being revised several times due to additional rural funding, a DWP error, additional transitional funding and bid funding. The total DWP funding for DHP in 2013/14 was £18.1m with the Scottish Government providing an additional £20 million. In addition, there was uncertainty around the DHP overall spending limit formula which was 2.5 times the initial DHP award at the beginning of the financial year from DWP. The formula did not take account of any of the additional funding which became available during the year. The DWP announced on 24



March 2014 its intention to amend the Discretionary Housing Payments (Grants) Order 2001 to allow the spending formula to include additional DWP funding provided during the year. The effect of this change was that the Scottish councils' overall DHP spending limits increased by £7m one week before the financial year ended. The final overall spending limit for DHP in Scotland in 2013/14 was £40.7million which is a 288% increase on the £10.5million limit for 2012/13. The late change to the spending limit has resulted in a number of councils not being able to spend up to their DHP limit.

34. Looking forward, in May 2014, the UK Government proposed, to devolve the setting of DHP spending limits to the Scottish Government. This will allow the Scottish Government to increase their funding for DHP.
35. The next significant welfare reform change is the transfer of council fraud investigators to the SFIS from the summer of 2014. East Ayrshire Council will transfer first. The DWP plan to have all fraud investigators transferred over by March 2016. Councils should be reviewing their counter fraud resources to ensure sufficient investigative capacity remains in councils to investigate non benefit fraud such as council tax reduction fraud, tenancy fraud and other corporate fraud.
36. Other uncertainties remain which make it difficult for councils to plan effectively. In particular, the migration timeline from HB to UC is uncertain, as is the level of support councils are expected to provide to customers in the future.
37. The latest information from the DWP states that the majority of the HB caseload will migrate to UC during 2016 and 2017 although no detailed migration plans are in place. This planned migration will not include HB claims for customers who have reached the age to qualify for Pension Credit, HB customers in receipt of Employment Support Allowance (ESA) or customers living in supported or specified accommodation. These customers will remain with councils until after 2017. The ESA customers are expected to migrate to UC in 2018, a "local scheme" is in the very early stages of development for customers in supported or specified accommodation and no date has been announced for the planned migration of customers who have reached the Pension Credit qualifying age.
38. The level of support councils will be expected to offer claimants in the future is being discussed between the DWP, the Scottish Government and council representatives. A high level DWP local support services framework is in place but discussions continue around the funding for support services and the details of how these services will be delivered. Indications are that community planning partnerships will be the bodies responsible for the delivery of local services.

## Stakeholder feedback

39. Feedback questionnaires are issued to benefit managers after each risk assessment. The questions are designed to gain assurances over whether the audit methodology and documentation are effective and to look for areas which can be improved. During 2013/14, we received replies from eleven councils.



40. Overall the responses were positive and provided assurance that the audit methodology is fit for purpose and proportionate. The following comments help illustrate these responses:
- The auditor was extremely knowledgeable and understood the business and current pressures and challenges.
  - The auditor was very professional, knowledgeable and helpful during the site visit. Due to ill health and annual leave Audit Scotland worked with the council to agree a more suitable time for the audit which was very much appreciated.
  - Communication was professional throughout with the on site visit carried out in an effective and efficient way, focussing only on any areas where further clarification was required.
  - The 'emerging findings' meeting was extremely helpful as it clearly outlined Audit Scotland's position and gave us the opportunity to articulate our position directly on any areas where we felt it necessary.
  - The approach was appropriate. It was obvious that efforts to reduce the burden of the self assessment have been made although it's inevitable that a considerable amount of staff time is still required to facilitate. The council welcomes all efforts by Audit Scotland to minimise the impact that the risk assessment can have on the delivery of the services now being delivered by the benefits unit.
  - The audit was carried in a professional manner and the auditor showed a detailed understanding of the current issues within benefit administration. The report concentrates on significant areas of risk whilst accepting the reduced resources employed to deliver the service. As a result of the risks identified in our interventions we are now looking at introducing "Risk Based Verification" and also how we tackle our own high risk caseload.
41. Whilst the majority of the responses were positive not every council found the process to be so. Particular concerns raised were:
- While I agree that we were given sufficient notice of the risk assessment, the timing of it could have been better. Given that we were in the throws of implementing significant benefit changes and in the process of year end it was a significant challenge to complete the request for information. Given the pressures, Audit Scotland were flexible with the dates.
  - It would be helpful if the risk assessment process had a formal linkage /referral to the DWP's Performance Development Team.
  - The DWP have challenged the council's benefit processing statistics, but did not appear to be aware of the recent risk assessment work undertaken by Audit Scotland.
  - Whilst appreciating less information was requested in comparison with the previous risk assessment exercise, there was still quite a lot of collation required, when faced with competing and ongoing welfare reform workloads.
42. Audit Scotland has taken these comments on board in the planning and delivery of risk assessments. We give councils as much notice as possible of risk assessments. Our risk assessments are included in the annual assurance and improvement plans issued to councils



at the start of each audit year. We continue to share copies of all our risk assessment plans and reports with DWP.

43. We will also continue to monitor our approach going forward in conjunction with the DWP.



# Appendix A – The 2013/14 risk assessment programme

Date on site	Council	Date reported
May 2013	Stirling	August 2013
June 2013	Angus	July 2013
August 2013	South Ayrshire	October 2013
August 2013	West Dunbartonshire	November 2013
September 2013	Highland	December 2013
October 2013	Fife	January 2014
November 2013	Perth & Kinross	February 2014
December 2013	Dundee City	February 2014
February 2013	East Ayrshire	Report issued to Chief Executive in April 2014. Currently awaiting the council's improvement plan
February 2013	Falkirk	June 2014



# Appendix B – Progress reports requested during 2013/14

Council	Date progress report received or expected	Conclusion on action taken to address risks
City of Edinburgh Council	July 2013 December 2013 April 2014	Updates received and satisfactory progress made. A full risk assessment is planned for 2014/15.
South Lanarkshire Council	July 2013	Update received and satisfactory progress made.
Aberdeen City Council	October 2013 July 2014	Update received and a further update has been requested by July 2014
West Dunbartonshire Council	April 2014	Update received and satisfactory progress made.
South Ayrshire Council	April 2014	Update received and a further update has been requested by January 2015 to ensure recent actions have the planned impact on performance.
Perth & Kinross Council	July 2014	



**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**REPORT BY THE DIRECTOR OF PERFORMANCE AND BEST VALUE**

**STATUTORY PERFORMANCE INFORMATION 2012/13: AN EVALUATION OF PUBLIC PERFORMANCE REPORTING**

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**Purpose**

1. This report provides information to the Accounts Commission so that it can consider how well councils are implementing the requirements of its SPI direction through public performance reporting (PPR). This is the fourth year that we have reported on councils' approaches to PPR.
2. The aim of our report to the Commission this year is to:
  - Provide an update to the Commission on the development of the Local Government Benchmarking Framework (LGBF).
  - Provide an update to the Commission on how our approach to evaluating and supporting PPR has developed.
  - Provide the Commission with an assessment of the quality of PPR against the corporate management themes under SPI 1 and the service performance themes under SPI 2, as set out in the Direction.
  - Identify where there has been improvement in how councils are reporting their performance and where improvement is still required.
3. This report is structured into a short update for the Commission, followed by appendices that give further detail on councils' assessments, good practice and our methodology.
4. The SPI Direction and supporting guidance is designed to enable councils to determine how best they present performance information for the year, within the context of specific guidance given on the corporate performance themes to be covered (SPI 1) and service areas to be covered (SPI 2). (see Exhibit 1)

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**Exhibit 1**

**Councils need to ensure they cover a range of corporate management themes under SPI 1 and service areas under SPI 2.**

<b>Corporate management: SPI1</b>	<b>Service performance</b>
Each council will report a range of information, sufficient to demonstrate that it is securing Best Value in relation to: <ul style="list-style-type: none"><li>• responsiveness to its communities</li><li>• revenues and service costs</li><li>• employees</li><li>• assets</li><li>• procurement</li><li>• sustainable development</li><li>• equalities and diversity.</li></ul>	Each council will report a range of information sufficient to demonstrate that it is securing Best Value in providing the following services (in partnership with others where appropriate): <ul style="list-style-type: none"><li>• benefits administration</li><li>• community care</li><li>• criminal justice social work</li><li>• cultural &amp; community services covering at least sport &amp; leisure, museums, the arts and libraries</li><li>• planning (both environmental and development management)</li><li>• the education of children</li><li>• child protection and children's social work</li><li>• housing &amp; homelessness</li><li>• protective services including environmental health &amp; trading standards</li><li>• roads and lighting</li><li>• waste management services.</li></ul>

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*Source: Accounts Commission. Local Government Act 1992, Statutory Performance Indicators. Direction 2008, Dec. 2008*



5. The guidance provides for councils to produce PPR material within 12 months of the year to which it relates. This meant we began our evaluation of councils' PPR material covering performance information for 2012/13 in April 2014. This report presents a snapshot on the quality of PPR material across councils in April 2014.

### **Developments with the Local Government Benchmarking Framework**

6. The more flexible approach introduced by the Commission in the 2008 Direction came with the expectation that the local government sector would develop its own performance measures to facilitate benchmarking and continuous improvement. SOLACE and the Improvement Service lead work in this area through the LGBF. This framework provides a comparative benchmarking framework covering the major service areas with an emphasis on cost information. The LGBF indicators draw on existing performance information including financial returns and other indicators sourced from government departments and the Scottish Household Survey.
7. The LGBF framework continues to develop. It includes indicators across a range of corporate and service areas and a well presented website where data is set out by theme and by council. The second [annual report](#) on the LGBF was published on 27<sup>th</sup> March 2014. The report's Executive Summary highlights performance in relation to the core service areas included under the LGBF:
  - Education services, covering costs, attainment and attainment gaps in relation to SIMD.
  - Corporate and support costs.
  - Adults social care covering costs and balance of care and direct payment spend.
  - Culture and leisure covering costs, attendance and satisfaction.
  - Environmental services covering costs, cleanliness index and satisfaction.
  - Housing services covering arrears, management of housing stock and housing quality.
8. The publication of the LGBF data for 2012/13 at the end of March 2014 had an impact on councils' ability to use this comparative information within its PPR material. The Improvement Service are addressing this and have committed to making the data for 2013/14 available by November 2014. This will help councils benchmark against their comparator groups.
9. Councils have requested that the Improvement Service makes its annual updates of the LGBF available earlier. Currently the LGBF indicator set for 2014/15 has not been confirmed with councils. Councils have stated earlier confirmation of annual updates to the LGBF would assist them to ensure these indicators feature more prominently in service planning and service improvement processes.
10. Members of the public and interested parties can interrogate the data through a [benchmarking dashboard on the LGBF website](#). There are also plans to develop public access to the data through a more interactive section of their website.
11. The Improvement Service are also facilitating two benchmarking pilots. These are concerned with the positive destinations of young people leaving secondary school and on road maintenance services. The aim is to identify areas of good performance and to share learning across the members of the benchmarking groups. A report on this work is due to be published this summer.
12. The Improvement Service is also piloting guidance to assist councils in how they report their PPR material. This guidance contains some very useful prompts which are similar to those we look for in our evaluations of PPR material. Councils will benefit from using



this guidance. The Improvement Service is also looking at options to develop a 'critical friend' service to councils. This would involve supporting councils in how they compare their performance with others and how they use performance information in planning their service improvement activity.

13. The LGBF is also to be extended to Community Planning Partnerships, with funding secured to take this forward. A board is currently being set up to oversee this.

### **Developing our approach to evaluating and supporting PPR**

14. We have developed our approach to evaluating and supporting PPR over the past four years. Last year, we included council PPR benchmarks which set out our assessment categories of those which had 'fully', 'partially' and 'not' demonstrated the criteria (see Appendix 3). We also provided the names of councils that fully met the criteria. We shared this with councils, external auditors and the Scottish Performance Management Forum (SPMF).
15. During 2013 and 2014 we attended meetings of the SPMF, a forum established by council performance management officers. We received good feedback that the PPR report was valued and helped to bring more transparency to our approach and clarity around our expectations for good PPR material. We also received feedback that some councils had used this information to prompt learning from the councils we had named.
16. After considering the PPR report last year, the Accounts Commission wrote to all councils (leaders, chief executives and chairs of audit committees) and articulated its concerns at meetings of COSLA and SOLACE to encourage progress. It also agreed that Audit Scotland liaise with the Improvement Service to explore ways of supporting councils and agreed the Controller of Audit consider how to identify good practice.
17. In response, we have placed a greater emphasis on an overall approach to PPR as well as an assessment of how well performance is reported against the corporate and service areas under SPI1 and 2. We have identified examples where councils are further forward in their approach to PPR.

### **Evaluation of councils' PPR**

#### ***Councils PPR arrangements continue to improve***

18. In general, we have seen an improvement in councils' overall approach to PPR. It has been easier to find information and more councils now have performance information clearly signposted on their websites. Where PPR is being done well, councils' have a more structured approach. This means:
  - there is evidence of a coherent approach to how they produce their PPR material
  - there is a high level report or performance page, signposting to more detailed data or commentary.
19. Some councils have informed us they are updating their approach to PPR, but that improvements will not be seen immediately. This is due to the delay between the PPR approach being approved by Council Committee and its subsequent implementation through service plans and service performance reporting. Feedback via the SPMF has suggested it may take time for improved performance material to come through, as services are encouraged to use more of the LGBF indicators, within their service planning and benchmarking activity.
20. Overall, councils' PPR arrangements continue to improve. The charts in Appendix 1 illustrate the overall trend of improvement across the majority of the corporate



assessment themes and service areas for SPI1 and SPI2, since 2009/10. More councils now fully or partially meet these themes than do not. This is an encouraging trend.

21. No council has fully met all of the corporate and service areas under SPI 1 and 2, however Angus Council is the closest to fully meeting all areas.
22. In 13 of the 18 SPI themes, there has been an increase in the number of councils who fully meet our assessment definition.
23. SPI themes with the greatest rate of improvement in the number of councils which fully meet the assessment definitions are:
  - revenues and service costs – (27 councils are now fully meeting our assessment definitions compared to only seven councils in 2009/10)
  - sustainable development – (21 councils are now fully meeting our assessment definition compared to only ten councils in 2009/10)
  - responsiveness to communities – (19 councils are now fully meeting our assessment definition compared to only 12 councils in 2009/10)
  - employees – (14 councils are now fully meeting our assessment definition compared to only six councils in 2009/10)
24. All councils have included comparisons over time (16 councils failed to do so in 2009/10). There has also been an increase in the percentage of councils fully meeting the criteria to include improvement targets (19 councils in 2012/13 compared with six in 2009/10).
25. In this year's report, we aim to support improvement by highlighting examples of an effective overall approach to PPR (Exhibit 2).

## Exhibit 2

### Characteristics of a better approach to PPR

<b>A structured approach to public performance reporting</b>	There is evidence of a structured, coherent approach with a high level summary web page or overall report. The council uses a wide range of outputs to target audiences, but there is clarity in the layering of information. High-level material gives an overview across the range of council activity. There is then clear signposting to further detail underneath for specific corporate or services areas. PPR material can include an overall performance report, newsletters, performance calendar, interactive webpages and social media.	East Lothian, Perth and Kinross, Stirling and Angus <i>(Examples in good practice appendix)</i>
<b>Clear presentation of information</b>	Information is presented in a clear and easy-to-follow way which is engaging for the reader, for example, through use of plain language, supporting narrative and graphs/diagrams as appropriate. If information is presented online, it is easy to navigate through and is linked to other documents or pages providing more detailed information. Overall, the reader can understand the context of the information whether it is provided through narrative, graphs, charts, or data tables.	Aberdeen City, Angus, Renfrewshire, South Ayrshire <i>(Examples in good practice appendix)</i>



<b>Effective use of customer satisfaction information</b>	Councils incorporate the findings of customer consultation or customer satisfaction information into their PPR material. In addition to stating what consultation activity has been conducted some PPR material goes further to specify the findings of the consultation but also what the council is doing as a result of this feedback.	East Lothian, Dundee City, Aberdeenshire ( <i>Examples in good practice appendix</i> )
<b>Balanced picture of performance</b>	There is evidence the council is presenting a balanced picture of council performance and is not only emphasising the areas where it is stronger. This can be assessed against the councils targets with performance evaluated through a RAG (traffic light) system of measurement. There is balanced coverage between areas of good performance and areas requiring improvement.	Argyll and Bute, North Ayrshire ( <i>Examples in good practice appendix</i> )
<b>Good use of comparators</b>	Performance is set in context through good use of comparators. This can be both through past performance or with comparative bodies. This facilitates benchmarking with other relevant authorities. The LGBF framework should facilitate this, and with data being made available earlier, this could be more widespread.	Dundee City, East Dunbartonshire, Renfrewshire ( <i>Examples in good practice appendix</i> )
<b>Good use of financial and cost information</b>	Performance is extended to cover indicators that are concerned with evaluating the cost or financial aspect of service delivery. This is done in a way that is well structured and presented. The figures are put in context through explanatory narrative to give commentary on performance.	East Dunbartonshire ( <i>example in good practice appendix</i> )
<b>Dialogue with the public involving PPR.</b>	There is evidence that the council has consulted with the public on what it wants from its public performance reporting material. The council is using social media to engage with the public around its performance, and to have a two way dialogue on performance.	Renfrewshire ( <i>example in good practice appendix</i> )
<b>Accessibility</b>	The council uses a range of outputs to accommodate different needs, eg reports, web pages, newsletters. Information is presented to make it, easy to understand and taking into account equalities and accessibility issues, eg using different formats and/or languages.	Angus Council, Stirling Council <sup>1</sup>

Source: Audit Scotland 2014

### There is still room for improvement in some areas

26. There is room for improvement in how councils use narrative within their PPR material, to set performance in context. In many cases councils do not do enough to help the reader make sense of the data that is presented. Councils should include narrative that gives the reader an understanding of how individual performance indicators fit into an overall picture of service strengths and areas for improvement.
27. Eleven councils still do not compare their performance with other councils (although this has improved from the 26 who did not in 2009/10). The earlier publication of the LGBF

<sup>1</sup> Examples of good practice for accessibility use the same Angus and Stirling good practice examples that appear in Appendix 2.



data should help to facilitate this by making it easier for councils to show comparisons in performance reports.

28. There are other areas where councils could improve their approach to PPR. These are identified in Exhibit 3.

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### Exhibit 3

#### Areas requiring improvement

- A structured approach with high level PPR material and more detailed information to support this, in a clear and accessible way.
- Better use of narrative to summarise performance and help the public understand the detailed performance information.
- Providing a more balanced picture of performance, not just emphasising the positives through focusing on performance strengths.
- Improving the accessibility and presentation of more detailed information:
  - A consideration of different formats.
  - Clear signposting on the council's web pages to PPR material.
  - Links to detailed information often do not work or go to council policy or strategy information rather than performance evaluations.
  - Detailed information is sometimes presented in a dense format that makes it difficult for the reader to understand.
- Including more examples of customer satisfaction and feedback information, as well as stating what will be done as a result.
- Improving the use of comparative information to set performance in context. In addition, improved use of benchmarking activity to identify performance strengths and areas for improvement.
- Improving the use of cost/spend information, with narrative to set the data in context.

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*Source: Audit Scotland 2014*

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29. In terms of SPI1 and 2, the corporate and service themes with the most 'no' assessments are:

- procurement (ten councils)
- assets (four councils)
- benefits administration (two councils)
- child protection and children's social work (two councils).

30. The SPI themes where fewer councils now **fully meet** our assessment definitions:

- Assets – there has been a reduction in the number of councils fully meeting our assessment definition over the three years. (Only four councils fully met the criteria in 2012/13 compared with nine in 2010/11).



- Equalities and diversity – there has been a reduction in the number of councils fully meeting our assessment criteria in 2012/13. (seven councils fully met the criteria compared to nine in 2011/12).
- Benefits administration – there has been a reduction in the number of councils fully meeting our assessment definition between 2011/12 and 2012/13 (nine councils fully met in 2012/13 compared with sixteen in 2011/12).
- Protective services – there has been a reduction in the number of councils fully meeting the criteria between 2011/12 and 2012/13 (nine councils fully met in 2012/13 compared with sixteen in 2011/12).

31. There are a number of the SPIs themes where less than half of councils are fully meeting our assessment criteria (Exhibit 4). In order to achieve further progress it will be necessary to encourage councils to improve their performance so they move from partially to fully meeting the criteria.

#### Exhibit 4

##### SPI themes where less than half of councils are fully meeting our assessment criteria

Corporate SPI themes	Service SPI themes
Employees Assets Procurement Equalities and diversity	Benefits administration Criminal justice social work Cultural and community services Planning Protective services Roads and lighting

Source: Audit Scotland 2014

#### Next steps

32. This year we have more clearly identified what we have seen in terms of good practice, both for the characteristics of a strong overall approach to PPR and also for individual SPI criteria.
33. The Accounts Commission may want to consider sharing this report with appropriate stakeholders. In addition, the Accounts Commission may want to consider sharing the following with local auditors, councils and other stakeholders, including the SPMF and the Improvement Service:
- The characteristics of a better approach to PPR (Exhibit 2) and good practice examples from councils (Appendix 2).
  - The list of factors to prioritise for securing improvement (Exhibit 3).
  - For SPI 1 and SPI 2, the council PPR benchmarks which identify our assessment categories of fully, partially and not demonstrated the criteria. This includes named councils that have fully met the criteria, and good practice examples (Appendix 3).
34. This will help promote benchmarking and improvement. Local auditors will liaise with councils on the assessments. The assessments will also inform the Shared Risk Assessment process.
35. When agreeing its SPI Direction later in the year the Commission may wish to consider highlighting some of the themes and areas for improvement identified in this report.



## **Recommendations**

36. It is recommended that the Commission:

- Note the clear progress councils have made in fulfilling their obligations for public performance reporting as set out in the SPI Direction.
- Note those areas where there remains room for improvement.
- Ask that Audit Scotland will follow-up with auditors and appropriate stakeholders.

37. The findings of this report will be revisited later in the year to support the Commission in determining its SPI Direction 2014, for audit year 2015/16, and to develop the supporting guidance. This could include revisiting SPI1 and SPI2.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**11 June 2014**

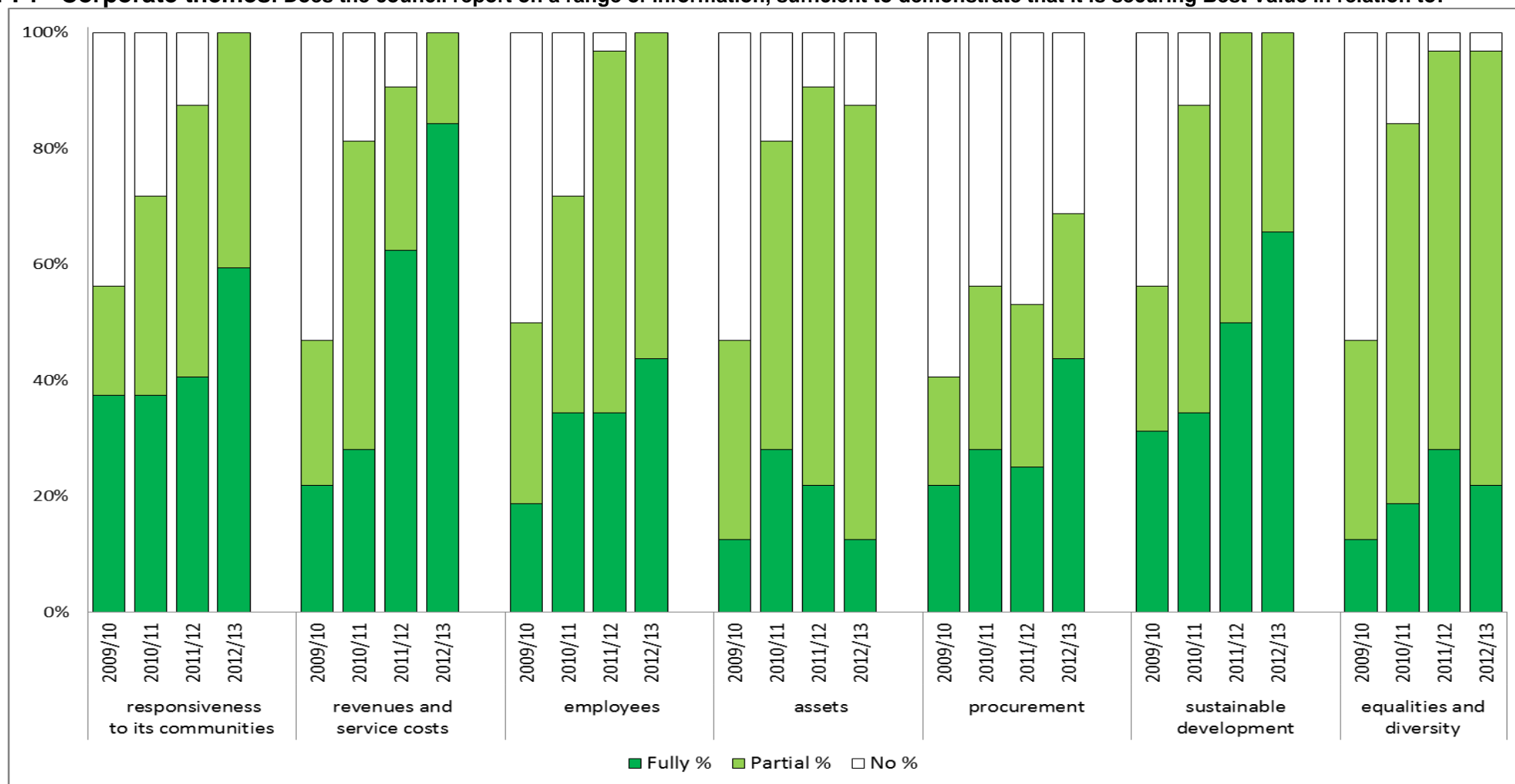


## Appendix 1

### STATUTORY PERFORMANCE INDICATORS: 2012/13 Evaluation of SPI1 and SPI2

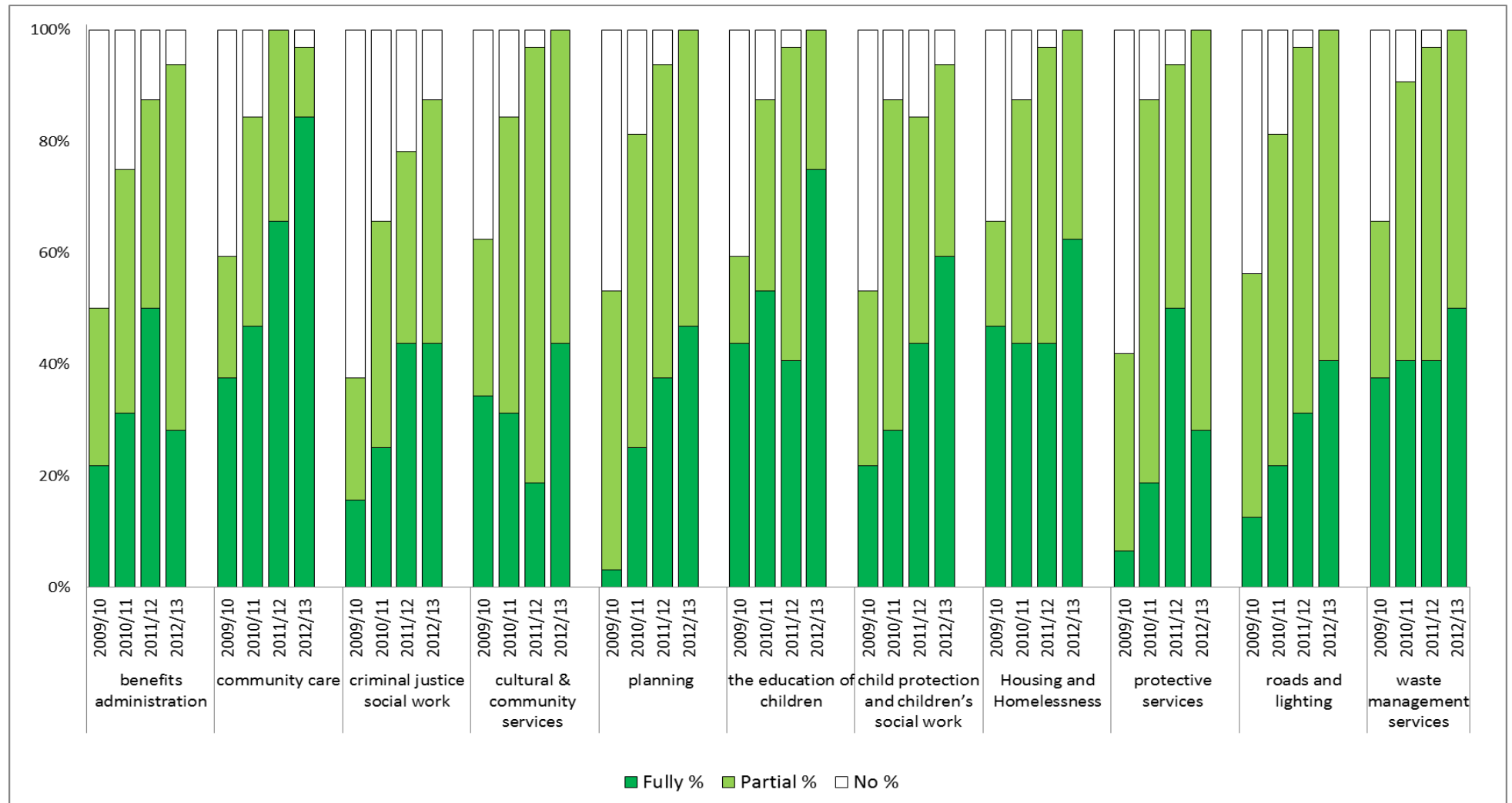
#### Breakdown of responses by criteria

**SPI 1 –Corporate themes: Does the council report on a range of information, sufficient to demonstrate that it is securing Best Value in relation to:**





**SPI 2 –Service themes: Does the council report on a range of information, sufficient to demonstrate that it is securing Best Value in relation to:**





## Appendix 2 – Further examples of good practice

### 1. Structured approach to public performance reporting

**East Lothian Council:** The performance pages are easy to find with web pages covering the expected range of service/theme areas. These include narrative to explain the aims of the service. It is balanced well by the council's annual performance report which is much more narrative heavy, supported by a small selection of the available indicators. The annual report is presented well and easy to follow, making good use of tables and case studies. The report also sets out clearly the council's priorities and how these link to the Single Outcome Agreement (SOA), around which the report is structured. The council also provides a summary of the annual report material in the council newsletter.

#### East Lothian Council's performance web page

##### Performance reporting

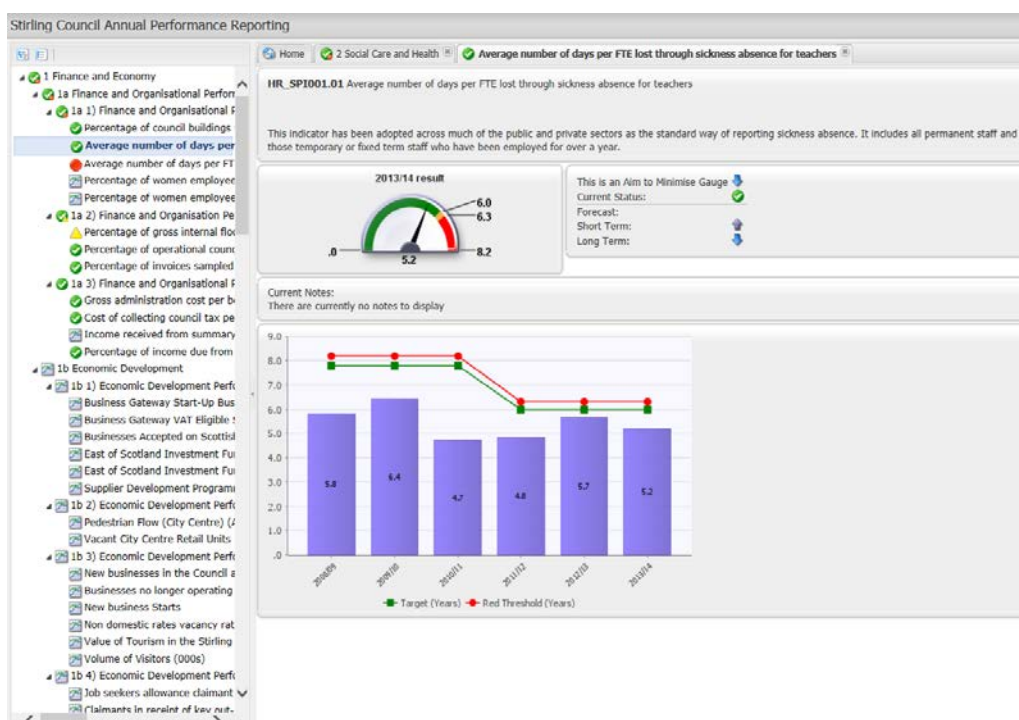


**Perth and Kinross Council:** Overall, a comprehensive PPR approach and framework that incorporates a range of material for different audiences. For example there is a high-level newsletter and more detailed Annual Report and service-level reports should readers require more information. The PPR website is clearly structured with easy-to-follow links. Sign-posting is good and use of a traffic light RAG status reporting allows identification of good and poor performance and trends. The Annual Report is based around SOA outcomes and links to higher level and partnership objectives. This can make isolating council-specific performance harder, however their website also provides links to the council's service-level reporting. The council's PPR material incorporates customer satisfaction findings. There is also a customer facing summary report following the SOA outcomes structure and highlighting key aspects of performance - its format is accessible and adopts the RAG status reporting style, with performance illustrated by examples and case studies.

**Stirling Council:** Overall, the material is presented in a user friendly manner. Information is easily accessible and the web pages are easy to navigate. The interactive performance pages are divided into three sections, covering annual performance, LGBF indicators and Stirling Performs which covers information across seven council services. For each of the indicators there is a short analysis of most recent performance, with short and long term trend information. Additionally, the council produces an annual performance report which is divided into two parts: narrative and the list of indicators supporting the narrative. Part two also contains the list of SOA indicators, although some info is for earlier years. Customer feedback and satisfaction indicators are included on the website as well as the annual report.



## Stirling Performs – Annual Performance Reporting page



**Angus Council:** The PPR information was set out clearly with a PDF document for each SPI theme. The documents included graphs for each indicator and an accompanying narrative, the graphs often compared the councils results against their target, the previous years or other councils. Angus life magazine provides an alternative means of presenting the PPR message. Although there is no clear link to the performance section from the front page, once it is found, information is clearly set out.

## Angus Council Performs Page

**Home** | **Your Council** | **Services** | **Local History** | **Have Your Say** | **Community** | **Angus Ahead Website** | **Site Map**

**Your Council**

**Performance and Annual Reports**

[Performance Arrangements](#)

[Angus Community Plan and Single Outcome Agreement](#)

[Thematic Partnerships Plans](#)

[Corporate Planning](#)

[Service Planning](#)

[Operational Planning](#)

[Personal Action Plans](#)

[Angus Council Performs](#)

[Performance in Committee Reports](#)

[Annual Report and Accounts](#)

[Performance in Council Magazines](#)

**Angus Council Performs**

**Years:** [2012/2013](#) | [2011/2012](#) | [2010/2011](#) | [2009/2010](#) | [2008/2009](#) | [2007/2008](#)

**2012/2013 Indicators**

For each area we have prepared a standard report and an accessible version for those using screen-reader software.

- Assets**
  - Assets Standard version (84 KB PDF) [↗](#)
  - Assets Accessible version (62 KB MS Word) [↗](#)
- Benefits Administration**
  - Benefits Administration Standard version (74 KB PDF) [↗](#)
  - Benefits Administration Accessible version (59 KB MS Word) [↗](#)
- Cultural and Community Services**
  - Cultural and Community Services Standard version (326 KB PDF) [↗](#)
  - Cultural and Community Services Accessible version (218 KB MS Word) [↗](#)
- Child Protection and Children's Social Work**
  - Child Protection and Children's Social Work Standard version (204 KB PDF) [↗](#)
  - Child Protection and Children's Social Work (154 KB MS Word) [↗](#)
- Criminal Justice Social Work**
  - Criminal Justice Social Work Standard version (78 KB PDF) [↗](#)
  - Criminal Justice Social Work Accessible version (85 KB MS Word) [↗](#)
- Community Care Services**
  - Community Care Services Standard version (340 KB PDF) [↗](#)
  - Community Care Services Accessible version (243 KB MS Word) [↗](#)
- Revenues and Service Costs**
  - Revenues and Service Costs Standard version (535 KB PDF) [↗](#)
  - Revenues and Service Costs Accessible version (367 KB MS Word) [↗](#)
- The Education of Children**
  - The Education of Children Standard version (671 KB PDF) [↗](#)
  - The Education of Children Accessible version (383 KB MS Word) [↗](#)



## 2. Clear presentation of information

**Renfrewshire Council** has produced a well-designed, user friendly high level performance report. It is a good length and uses graphics to engage reader. This is backed up by clearly signposted information that is more detailed.

### Renfrewshire Council high-level Performance Report 12/13



**Angus Council** presents the indicators in a transparent and comprehensible way. Each indicator is accompanied by a graph showing progress over time against targets, a trend analysis, actions taken by the council, a data table and a benchmark median as a comparison.

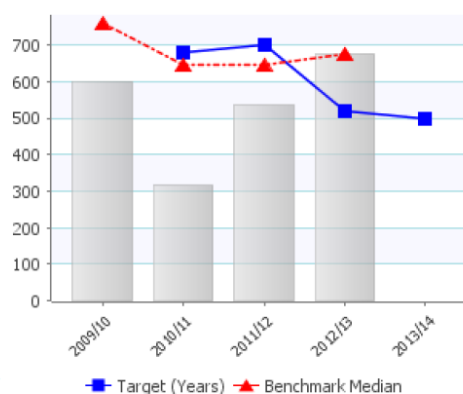
### Angus Council Cultural and Community Services Performance Report 12/13

#### Number of visits to/usages of council funded or part funded museums that were in person per 1,000 population (SPI)

More visits were made to our museums in person last year, reaching 675 per 1,000 population compared with 535 in 2011/12. We beat our target of 521 but just missed the 677 reported by the middle ranked (median) Scottish council in 2012/13.

In 2012/13 the number of visits in person to Angus Council run museums dropped by 4,275 (-7.76%). However the effect was not uniform across Angus. We've also been able to include information on community and independent museums that received financial assistance from the Angus Council Cultural Heritage Tourism Award Scheme.

From March 2013 all Angus Council Museums have closed on Mondays. In future years there will be a significant reduction in the number of visits in person to these museums and numbers of enquiries made in person.



ITEM	YEAR	VALUE	TARGET	BENCHMARK MEDIAN
1	2009/10	600	Blank	760
2	2010/11	315	678	646
3	2011/12	535	700	645
4	2012/13	675	521	677
5	2013/14	Blank	497	Blank



**South Ayrshire Council** produces the PPR council calendar which contains high-level information on the council's performance. These are available through the council's customer service centres, libraries and other offices and libraries.

### South Ayrshire Council's Performance Calendar

April 2014							River Stinchar Karen Crawford – Ayr Photographic Society
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Criminal Justice
31	1 April Fools' Day	2	3	4 Schools close at end of day	5 April 5th-6th Easter Festival of Football Old Racecourse	6	<ul style="list-style-type: none"> <li>We provide social work services to the criminal justice system. During 2012/13, this included preparing 745 Criminal Justice Social Work reports, 134 Community Payback Order reports for the Scottish courts and 43 Home Background reports for the Scottish Prison Service.</li> <li>389 Community Payback Orders were issued during 2012/13 – 4% more than in the previous year. These require offenders to address their offending behaviour and repay communities for damage caused by their crimes. This can include carrying out unpaid work to benefit and improve neighbourhoods and communities, completing intensive supervision, or alcohol or drug intervention programmes to address the underlying issues that can influence offending behaviours.</li> <li>During 2012/13, our criminal justice unpaid work teams used the available 760 unpaid work days to carry out a variety of activities across South Ayrshire. This included painting and upgrading leisure facilities, redesigning and upgrading Ladywell Park's fauna and flowers to encourage wildlife and improve the environment, maintaining public open spaces for local communities such as cycle paths, church grounds, sheltered housing complexes, scout hall grounds, nursery grounds and assisting local primary schools in the establishment of a small garden project, helping with the upgrade of shore front shelters and benches across South Ayrshire's coastal towns, repainting and restoring the wheelhouse on the Watchful fishing vessel exhibited at Ayr Harbour, and a range of small projects in local communities, such as litter picking, clearing the local burn at Muirhead in Troon, and assisting in the preparation work and then clear up for the Ayr Flower Show.</li> </ul>
7	8	9	10	11 April 11th-12th Scottish Grand National Ayr Racecourse	12	13 Palm Sunday	
14	15	16	17	18 Public Holiday Good Friday	19	20 Easter Sunday	
21 Public Holiday Easter Monday April 21st-22nd Winter Service Unit, Darnley	22 Pupils return	23 St George's Day	24	25	26	27	
28	29	30	1	2	3	4	

### 3. Effective use of customer satisfaction information

**East Lothian Council** have a format within their PPR material of 'We asked, you said, we did' in the annual performance report.

### East Lothian Council Annual Performance Report 12/13

#### **We asked, you said, we did...**

##### **Listen and Learn Youth Summit**

##### **We asked...**

The Listen and Learn Youth Summit provided an opportunity for young people to identify their priorities for action. The topic young people chose to explore was employment, which has also been identified as a key issue for our Corporate Parenting agenda.

##### **You said...**

1. Young people should be more engaged with the Council's Economic Development Strategy and East Lothian Works initiative
2. Greater links should be made between young people and VDEL
3. A dedicated job opportunity/work experience/volunteering opportunity web site should be investigated/developed
4. An open wifi access policy for schools should be investigated
5. Develop a strategy for communicating with young people, including effective use of texting and social media. This should be developed in conjunction with young people
6. The impact of transport costs/availability for young people wishing to access employment, further and higher education and training should be addressed
7. Councillors should have a greater presence in school, for example, holding surgeries, attending assemblies and making themselves available/contactable
8. Make greater use of East Coast FM in future events

##### **We did...**

These matters are now being taken forward with various council departments and with partner organisations. Progress will be reported in the 'Listen more, assume less' magazine

##### **Kings Meadow and Haddington Infant School – Planning for the Future**

##### **We asked...**

The Council conducted a consultation to gather views on whether to merge King's Meadow Primary School and Haddington Infant School.

Three possible options were consulted upon:

1. The status quo - both schools remain separate with their own Head Teachers, management structures, policies and development plans, etc
2. The schools remain separate as described above but with a shared Head Teacher leading and managing both schools.
3. Both schools become one school under a new name with one Head Teacher, management structure, policies and development plan, etc

##### **You said...**

Parents and carers voted for both schools to remain separate with their own head teachers, management structures, policies and development plans. 65.6% of the 628 respondents to the consultation chose the status quo.

##### **We did...**

As the majority of respondents were against any change the schools remain as they are.



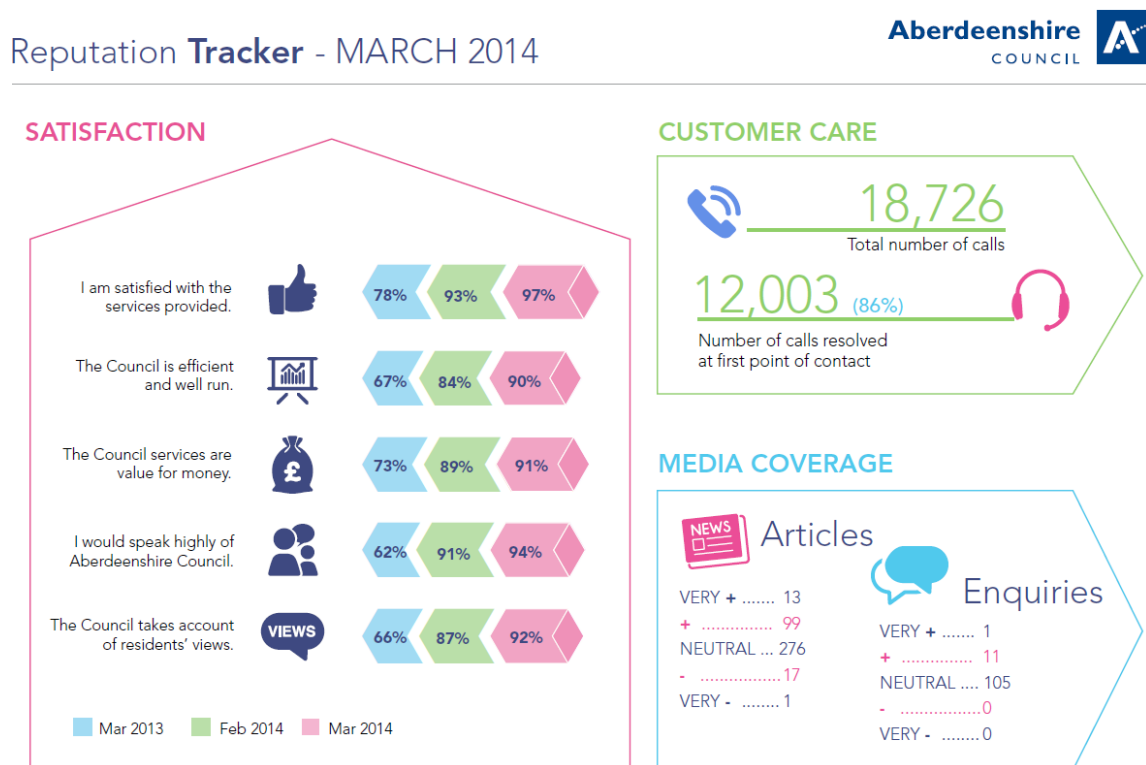
**Dundee Council's Plans & Performance** webpage contains a link to a "We listened...we acted" page which lists examples of how the council has used feedback from stakeholders to improve services.

### Dundee Council's Plans & Performance webpage

The screenshot shows the Dundee Council's Plans & Performance webpage. At the top, there are navigation buttons: "How Can We Help You?", "Pay for it", "Report it", "Request it", and "Submit it". Below these is a "Quick Links" section with links to "Dundee Partnership Community Awards", "Plans and Performance", and "Annual Consumer Survey Report". The main content area is titled "We listened ... we acted" and includes a "Rate this page/information" section with three smiley face icons. The text states: "Here are some examples of changes we have made to Council services in the past year after listening to our customers and service users:". A list of changes follows, including: using social media to keep parents up to date with family literacy learning events; speeding up access to support for young people at The Corner; introducing Healthy Transitions, a peer led programme, in all secondary schools; deploying The Bus, a mobile youth diversionary resource, across the city; introducing new children's activities at five community centres; providing more flexible and convenient ways of paying for car parking; introducing pupil safety measures around schools; making a wide range of changes in response to parents' feedback to individual schools, covering issues such as homework, curriculum, behaviour, bullying, uniforms, communication and involvement, as well as improvements to buildings and outdoor areas; working with a group of older people on a community drama to help people deal with bogus callers and scammers; establishing a Repairs Improvement Forum to consider improvements based on tenants' feedback; appointing a Tenant Liaison officer to improve communication on refurbishment projects; introducing a comprehensive strategy to tackle dog fouling; developing plans for community allotments in Douglas and Lochee; relocating the Homeless Service to provide a 'one stop shop' co-located with a the House Lettings Service; speeding up installation of disabled adaptations; changing the rent recovery system to allow Customer Services to deal with payment plans at first point of contact; and making a wide range of changes to facilities, activities, menus etc in response to feedback to individual care homes and day centres. On the right, there is a "Related Information" section with links to "Department Publications" and "Department Pages".

**Aberdeenshire Council** reports customer satisfaction with services information through the monthly reputation tracker report which includes engaging infographics.

### Aberdeenshire Council's Monthly Reputation Tracker Report





#### 4. Balanced picture of performance, highlighting strengths and areas for improvement

Argyll and Bute's Annual Report summarises performance with each section including "What We Could Have Done Better" paragraphs.

##### Argyll and Bute Annual Report 12/13

#### 4.21 What we could have done better

- a. Engaged more effectively with a greater with a wider range of partners to reach our educational objectives
- b. Supported staff to engage in quality professional dialogue on learning and teaching
- c. Clarified the roles, remits and reporting arrangements of working groups to ensure that participants are clear about the scope of this work
- d. Clarified the links between self-evaluation, school review and improvement planning while increasing professional challenge to drive improvement

North Ayrshire Council's Annual Performance Report 12/13, focuses on four areas and includes a section on 'successes' and 'challenges' providing a balanced picture of the council's performance. The report is well presented with good explanatory text and diagrams which are easy to read.

##### North Ayrshire Council's Annual Performance Report 12/13

#### Successes

We have enjoyed significant successes over the last year, including:

Streetscene who won the Municipal Journal (MJ) Local Government Achievement Award for Workforce Transformation and the Bronze Award in the COSLA Excellence Awards.

Roads Services who received the national APSE Award for developing an innovative electronic web-based procurement and management system. The system speeds up procurement processes considerably and provides robust benchmarking information.

Our 'Report it' Smartphone app won third place in the Digital Technology Awards 2012.

We had seven national finalists in the Scottish Education Awards.

Launching three Schools of Sport in Ardrossan Academy, Auchenhavie Academy and Irvine Royal Academy including Scotland's first ever School of Basketball.

All Primary Schools and Arran High School were awarded the Soil Association's Gold Food for Life Catering Mark for their spring menus introduced into schools in March 2013.

Eglinton Country Park gained an Eco Centre Award recognising the work the park has undertaken in protecting the environment and encouraging visitors to become more environmentally friendly.

Creative Scotland awarded North Ayrshire a 'Creative Place Partnership' and funds of up to £200,000 to progress a cultural action plan.

Housing Services achieved the Gold Investors in People Award.

The Community Payback Income Generation Project came second at the Community Payback Unpaid Work Requirement Awards 2012. The Project raises money for charitable causes by selling garden furniture and garden produce.

#### Challenges

The economic climate remains challenging but North Ayrshire Council has worked hard to ensure its operations are well placed to meet those challenges. The Council will continue to make smarter and more innovative use of resources and will continue to be creative in the development and deployment of Services.

The inequalities brought about by unemployment, poor health and poverty continue to have a major impact on our people and our communities and have resulted in high levels of deprivation in many of our towns. We will continue to implement the Council's Economic Development and Regeneration Strategy which sets out individual projects that will attract more businesses and jobs to the area.

The Welfare Reform Act 2012 contains a range of welfare reforms that have significant consequences for the community. The Council is, however, well placed to assist its citizens with these changes and has made provision for the anticipated increased demand on our services including support for people with disabilities, debt advice and welfare rights advice, assistance with appeals, increase in demand for social housing and homeless requests, and an increase in the number of applications for discretionary housing payments and local housing allowance safeguards.

In recognition of the impact of the new legislation, a cross service Welfare Reform Working Group was established in February 2012. The Working Group has developed an action plan to respond to each of the welfare reforms.

The new Scottish Government arrangements for Health and Social Care Integration will develop over the next year. These arrangements are designed to bring about a significant improvement in the experience of people who use health and social care services, their families and their carers. The Council together with the Health Board has taken a proactive approach to developing the new Integrated Health and Social Care Partnership.

The Council with its partners will continue to develop neighbourhood planning in 2013 to ensure that resources are targeted at those local areas most in need. In September 2012 the Community Planning Partnership (CPP) approved the introduction of six new neighbourhood planning areas including Arran, Irvine, Kilwinning, Three Towns, Garnock Valley, North Coast, West Kilbride and Cumbernauld.

Issues such as unemployment, poverty and poor health cannot be tackled by the Council alone, so we will work with other public bodies operating in the area including health, police and fire and rescue in the North Ayrshire Community Planning Partnership. Our collective plan for the area is set out in a Single Outcome Agreement (SOA) with the Scottish Government. A new four year agreement is in place for 2013/17.



## 5. Good use of comparators

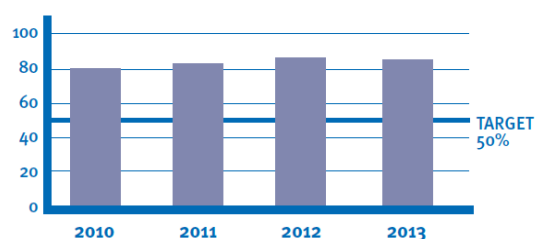
Within **Dundee City Council's** annual report 12/13, there is a clear link between LGBF indicators and the council's own report analysing and comparing its performance against other councils, family groups and other city councils.

### Dundee City Annual Report 12/13

#### Compared to the Past

The Council reviews the performance information collated each year. In the last few years the Council has managed to maintain and improve performance for a high percentage of these indicators which demonstrates a strong commitment to continuous improvement. 85% of performance indicators in the Council's corporate performance self-assessment either maintained or improved performance during the year which is consistent with previous periods.

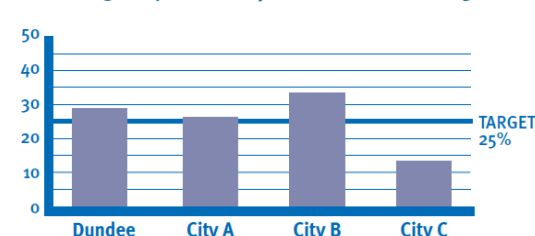
#### Annual Performance Improvement



#### Compared to Others

We have also measured the number of times we finished top between the main city Councils. Our performance of 28% compares favourably with the other main cities. Future performance will be measured against other Councils in our family groupings currently being developed by the Improvement Service.

#### Percentage Top Inter-City Finishes 2012/2013



**East Dunbartonshire** includes comparisons with other councils and Scotland in the service specific "How good is our service" reports.

### East Dunbartonshire "How Good Is Our Service" Education Service Report 12/13

#### 5. How We Compare with Other Councils / Service Providers Education Services – (session 2011/12 Post-Appeal Data)

- \* Source Fyfe Information Technologies et al and ScotXed
- \* All data percentages (%); all data post-appeal results

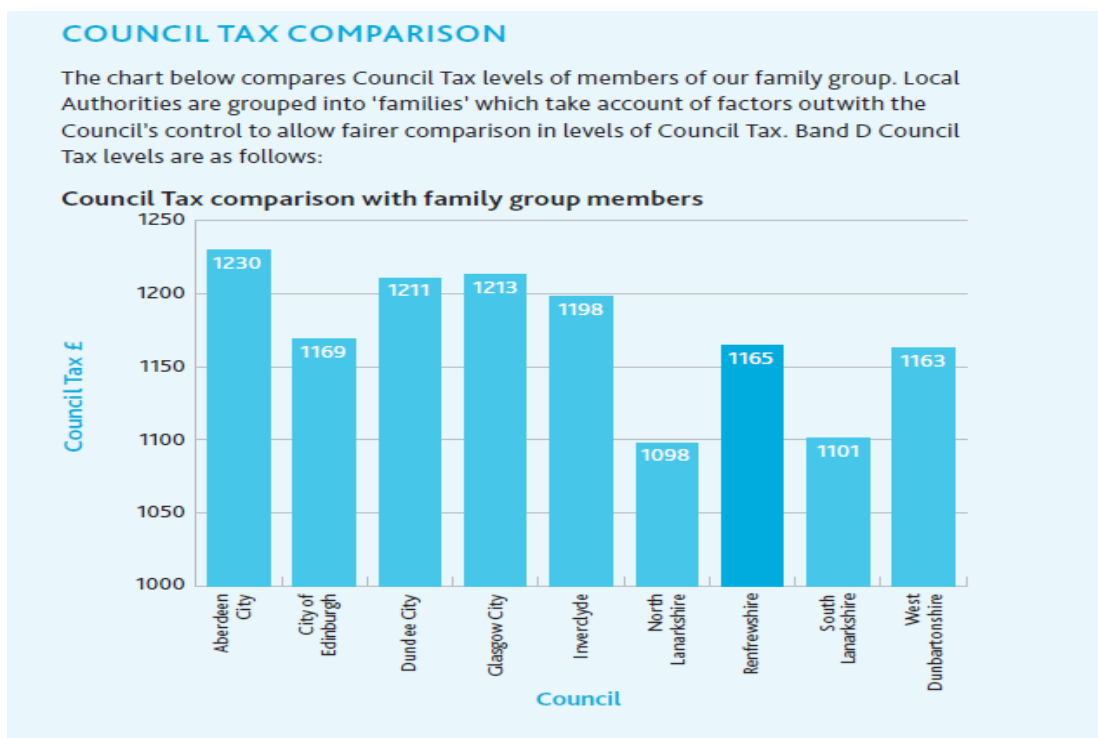
#### SQA Attainment against comparator authorities - Secondary S4, S5 and S6

Attainment by the end of S4 in the session shown	% S4 roll gaining 5+ awards at level 3 or better (Foundation/Acc3)	% S4 roll gaining 5+ awards at level 4 or better (General/Intermediate 1)	% S4 roll gaining 5+ awards at level 5 or better (Credit/Intermediate 2)
Diet	2012	2012	2012
East Dunbartonshire	98	93	58
Scotland	94	80	37
Family average (LAs below)	95	84	45
Aberdeenshire	93	83	40
East Lothian	96	82	38
East Renfrewshire	97	91	68
Perth and Kinross	96	83	40
Stirling	94	81	46



**Renfrewshire Council** uses the LGBF family groups for council comparisons to learn from variations and look for examples of good practice.

#### Renfrewshire Council's Key Facts and Figures 2013–14



## 6. Use of cost/spend information

**East Dunbartonshire Council's** PPR material includes budget and expenditure information throughout the performance material for specific service areas. It identifies reductions in anticipated overspend and provides reasons for it.

#### East Dunbartonshire "How Good Is Our Service" Social Work Service Report 12/13

##### 4. Financial Targets

Main Service Divisions	Annual Budget £000	Net Expenditure projected (subject to audit) £000	Annual Variation projected (subject to audit) £000	% variation	Summary narrative
Service Strategy	1,289	1,266	-24	-1.86%	Reduction in anticipated overspend mainly in relation to payroll costs.
Children & Families	10,555	9,392	-1,162	-11.01%	Changes in residential placements, a reduction in final contract costs due to a reduction in spot purchases and turnover savings have resulted in an overall favourable variance.
Older People	18,401	19,437	1,035	5.63%	Demand related pressure particularly in relation to supported living, older people's residential accommodation, homecare services and direct payments has continued throughout the year.
Physical Disability	2,650	2,636	-14	-0.53%	A favourable variance is reported due to additional income in relation to a client recharge to another local authority and a slow down in spend in relation to adaptations and equipment for disabled people.
Learning Disability	10,372	10,805	433	4.18%	Continued supported accommodation placements, demand related pressure and children transitioning from children to adult services have resulted in pressure on this budget.
Mental Health	1,901	1,832	-68	-3.60%	A positive variation has been achieved.



## 7. Dialogue with the public involving PPR

**Renfrewshire Council** uses social media for public performance reporting by publishing some interesting fast facts and statistics.

### Renfrewshire Council Twitter Page





**Appendix 3 – Identified Council PPR benchmarks, named councils and good practice examples.**

	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>SPI 1</b>				
<b>Responsiveness to its communities</b>	<p>PPR material provides a fuller picture of performance across the range of consultation activities and customer feedback information. This is prominently reported within high-level PPR material and may include links to more detailed information (eg on specific surveys or consultation processes). There is evidence of feedback information being sought at both a corporate and a service level.</p> <p>Coverage will include information on what action the council has taken to respond to the feedback and make service improvements (eg 'you said – we did')</p>	<p>PPR material provides some ad hoc examples of consultation activities within PPR material, but with insufficient explanatory narrative to draw out main findings.</p> <p>There is a lack of evidence of what action the council has taken in response or how feedback has been used to improve services.</p>	There is no or little evidence of councils reporting information from consultation or customer feedback exercises within their PPR material.	<p><b>Fully = 19</b></p> <ul style="list-style-type: none"> <li>• Aberdeen City</li> <li>• Aberdeenshire</li> <li>• Angus</li> <li>• Dundee City</li> <li>• East Dunbartonshire</li> <li>• East Lothian</li> <li>• East Renfrewshire</li> <li>• Fife</li> <li>• Highland</li> <li>• Inverclyde</li> <li>• Midlothian</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• Perth and Kinross</li> <li>• Renfrewshire</li> <li>• Scottish Borders</li> <li>• South Ayrshire</li> <li>• West Dunbartonshire</li> <li>• West Lothian</li> </ul>
	<p>Good practice example:</p> <p><b>East Lothian Council</b> uses a 'We asked, you said, we did' format throughout annual report in relevant places to report on consultation activity and what the council has done in response. Reporting also includes a number of indicators about service user satisfaction.</p> <p><b>Inverclyde Council</b> includes a good range of indicators with commentary on citizens' panel's responses, general customer service and some evidence of how this information has been/is being use by the council.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Revenues and service costs</b>	<p>PPR material brings together a range of cost information, such as total expenditure as well as a breakdown by service areas. There is use of local indicators such as efficiency targets.</p> <p>There is good use of narrative and/or charts to help readers understand the financial information.</p> <p>Appropriate cost indicators from the LGBP are included.</p>	<p>PPR material has some specific indicators on revenues and service costs, such as total council expenditure but may rely on previous cost related SPIs (eg cost per dwelling of collecting council tax, gross cost per case for benefits administration, income due on council tax collection.)</p> <p>There is a lack of narrative to set performance in context.</p>	<p>There is a lack of commentary on revenue and service costs and the council has not published any local indicators that inform beyond the SPIs.</p>	<p><b>Fully = 27</b></p> <ul style="list-style-type: none"> <li>• Aberdeen City</li> <li>• Aberdeenshire</li> <li>• Angus</li> <li>• Argyll and Bute</li> <li>• Clackmannanshire</li> <li>• Dumfries and Galloway</li> <li>• Dundee City</li> <li>• East Ayrshire</li> <li>• East Dunbartonshire</li> <li>• East Lothian</li> <li>• East Renfrewshire</li> <li>• Fife</li> <li>• Glasgow City</li> <li>• Highland</li> <li>• Inverclyde</li> <li>• Midlothian</li> <li>• Moray</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• Orkney</li> <li>• Perth and Kinross</li> <li>• Renfrewshire</li> <li>• Scottish Borders</li> <li>• South Ayrshire</li> <li>• South Lanarkshire</li> <li>• West Dunbartonshire</li> <li>• West Lothian</li> </ul>



	Characteristics of councils who have...			
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	Councils that have fully met the criteria
	<p>Good practice examples:</p> <p><b>East Lothian:</b> Good narrative on financial pressures and outlook, drawing on annual audit findings, and council plans in response. Section on overall council finances, covering where the money comes from and where the money goes. Indicators on individual service costs, from LGBF, provided on web section.</p> <p><b>Argyll and Bute:</b> Evidence of range of financial &amp; cost information, broken down by service areas, eg, Service Scorecards. Information is available and accessible in range of formats from more detailed, eg annual accounts, to more "user friendly" formats such as leaflets etc. Information is well-sign-posted and readily accessible from the council's performance webpage. Performance information is accompanied by explanatory narrative and/or is presented in table format with comparative data.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Employees</b>	<p>PPR material includes wider performance measures, such as: job satisfaction, cost of HR function and staff survey data. Includes commentary on key findings from staff surveys or other staff engagement.</p> <p>Where appropriate, includes information on workforce changes, such as reductions through VERA or senior management restructuring.</p>	<p>PPR material is limited and concerned mainly with the past SPI on sickness absence or that theme. There is no reference to whether the council has conducted a staff survey, or if there is, what priorities it has taken from it. There is a lack of narrative to set performance in context.</p>	<p>There is little or no commentary on performance in relation to employees.</p>	<p><b>Fully = 13</b></p> <ul style="list-style-type: none"> <li>• Angus</li> <li>• Clackmannanshire</li> <li>• East Dunbartonshire</li> <li>• East Renfrewshire</li> <li>• Edinburgh City</li> <li>• Fife</li> <li>• Glasgow City</li> <li>• Highland</li> <li>• Inverclyde</li> <li>• Midlothian</li> <li>• Perth &amp; Kinross</li> <li>• Renfrewshire</li> <li>• South Ayrshire</li> <li>• West Dunbartonshire</li> </ul>
<p>Good practice examples:</p> <p><b>East Renfrewshire:</b> A range of employee related indicators are reported in the main PPR report, Annual Report 2012-2013, including performance against indicators such as employee development. Absence statistics and information, % of previously prescribed indicators, cost of support services and results from the Employee Survey are included in the LGBF report and mid and end year performance reports.</p> <p><b>Highland:</b> Well-sign-posted links to the SPI report and Corporate Performance Report 2012-13, which covers performance against the council plan and incorporates SPIs. Website also links to "What Our Staff Told Us" page which summarises the council's approach to employee consultation, including actions arising from the staff feedback. In addition, a link is provided to a report of the most recent employee survey report (2012).</p> <p><b>Renfrewshire:</b> Uses a good range of indicators, going beyond the SPIs to include indicators on appraisal rates and use of 360 reviews for senior managers.</p> <p><b>Fife:</b> Annual performance report gives some commentary around staff satisfaction. Link to annual workforce report which gives commentary on numbers of employees, turnover and training. Appendix gives a good graphical representation of the employee indicators.</p>				



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Assets</b>	<p>PPR material brings together a range of performance measures in relation to a range of assets (eg buildings, vehicles, equipment).</p> <p>Includes local indicators, such as indicators on council property repairs and spend on property maintenance.</p> <p>May also include commentary on progress with its corporate asset management plan or key asset planning projects such as new council facilities. May also include commentary on how it works with partners to make best use of local assets.</p>	<p>PPR material is limited and concerned mainly with the past SPIs on operational accommodation that is in a satisfactory condition or suitable for its current use, or that theme. Coverage may miss important aspects of council assets, for example only commenting on buildings. In some cases there may be additional indicators but these lack narrative to assist the reader in understanding performance in relation to how the council manages assets.</p>	<p>There is a lack of commentary on performance in relation to assets or if there is a reference there is a lack of performance measures to evidence performance.</p>	<p><b>Fully = 3</b></p> <ul style="list-style-type: none"> <li>• East Dunbartonshire</li> <li>• East Renfrewshire</li> <li>• Midlothian</li> </ul>
<p>Good practice examples:</p> <p><b>Midlothian Council:</b> The main PPR report includes a section entitled "Ensuring Best Value" which summarises asset related indicators. This brief section summarises the council's asset performance with performance further illustrated by accompanying narrative and RAG status. This is supplemented by more detailed coverage in the council's quarterly and annual performance reports for Property and Facilities Management.</p>				



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Procurement</b>	<p>PPR material brings together a range of evidence sources to present a higher level view of procurement activity.</p> <p>Evidence sources include improvement resulting from collaborative spend or use of electronic methods to award, source and process procurement activities (eg e-procurement).</p> <p>Coverage includes the council's Procurement Capability Assessment (PCA) score, including trend and comparisons.</p>	<p>PPR material may contain references to performance on procurement such as an identified range of cash savings or a procurement capability assessment. However, there is a lack of explanatory narrative to aid the reader understand performance on procurement.</p>	<p>There is little or no reporting in relation to performance on procurement. Procurement activity may be mentioned but there is a lack of measures or cost information to help the reader understand performance.</p>	<p><b>Fully = 14</b></p> <ul style="list-style-type: none"> <li>• Angus</li> <li>• Argyll and Bute</li> <li>• East Dunbartonshire</li> <li>• East Renfrewshire</li> <li>• Fife</li> <li>• Inverclyde</li> <li>• Midlothian</li> <li>• North Lanarkshire</li> <li>• Perth and Kinross</li> <li>• Renfrewshire</li> <li>• Scottish Borders</li> <li>• South Ayrshire</li> <li>• South Lanarkshire</li> <li>• West Dunbartonshire</li> </ul>
	<p>Good practice examples:</p> <p><b>East Renfrewshire:</b> Dedicated Procurement page which covers performance material including the Procurement Public Performance Report 2012/13 which details performance against a set of indicators, including PCA score, illustrated by RAG status and supported by explanatory text.</p> <p><b>West Dunbartonshire:</b> Performance on procurement indicators reported in key PPR report "Measuring Up", showing RAG status and trend data. Reference to PCA score incorporated into Strategic Plan Update report 2012/13.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Sustainable development</b>  <i>The focus of our assessment framework is on environmental sustainability (in line with our best value toolkit).</i>	<p>PPR material brings together a range of material to present a wider picture of performance in relation to sustainable development. Includes use of local indicators such as energy consumption, council co2 emissions, fleet emissions, derelict land, parks and outdoor spaces, and biodiversity actions and targets.</p> <p>Includes narrative or contextual information, such as targets and trends, to help the reader understand performance.</p>	<p>Coverage focusses on areas where there have been prescribed indicators such as waste managements and street cleanliness.</p> <p>Performance summary does not go wider and there is no mention of carbon emissions and the wider environmental impact. In addition there is a lack of commentary or narrative to explain performance.</p>	<p>There is little or no reporting on performance for sustainable development. Even if there is minimal reporting, this is limited to the past specified SPIs but with minimal narrative or trend information to put this in context.</p> <p>N.B. no council was assessed as not meeting the criteria in 11/12.</p>	<p><b>Fully = 21</b></p> <ul style="list-style-type: none"> <li>• Aberdeen City</li> <li>• Angus</li> <li>• Clackmannanshire</li> <li>• Dumfries and Galloway</li> <li>• East Dunbartonshire</li> <li>• East Lothian</li> <li>• Fife</li> <li>• Glasgow City</li> <li>• Highland</li> <li>• Midlothian</li> <li>• Moray</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• Orkney</li> <li>• Perth &amp; Kinross</li> <li>• Renfrewshire</li> <li>• South Ayrshire</li> <li>• South Lanarkshire</li> <li>• Stirling</li> <li>• West Dunbartonshire</li> </ul>
<p>Good practice examples:</p> <p><b>Orkney:</b> Annual performance report (APR) includes a section on Attractive Environment - this highlights performance against prescribed indicators, but also highlights some examples of wider performance in this area with contextual narrative. APR also includes commentary on performance on Renewables. Council monitoring report includes a detailed section on Renewables which summarises the council's performance against a range of targets, including local targets with accompanying explanatory narrative. Previously prescribed SPIs published.</p>				



Characteristics of councils who have...				
...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria		Councils that have fully met the criteria
<p><b>Aberdeen:</b> Energy efficiency in homes included in annual report. Local commentary around recycling and greenspace in annual report. Data and commentary on carbon emissions, street cleanliness and general SD.</p> <p><b>North Ayrshire:</b> Overall carbon emissions reported with commentary in annual report, narrative and indicators around recycling. Portal includes indicators, with explanatory text, on street cleanliness and fly tipping.</p> <p><b>Fife:</b> In annual report, commentary on greenspace and carbon emissions. Link from main performance webpage to Climate Change minisite on what Fife Council are doing. SPI on street cleanliness.</p>				



	Characteristics of councils who have...			
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	Councils that have fully met the criteria
Equalities and diversity	PPR material brings together a range of performance material including local indicators that give a wider picture of performance, such as service user satisfaction with specific services. There is good narrative putting performance into context for the reader. PPR material recognises equalities and diversity in its broader sense covering tackling inequality.  Coverage includes commentary on the new equalities duties and how the council has responded to these.	PPR material is focused on areas where there have previously been specific indicators, such as percentage of highest paid employees that are women, and accessibility of council premises for people with a disability. There may be some additional indicators, but PPR material does not contain enough narrative to help the reader get a sense of performance on equalities and diversity.	There is little or no reporting on performance for equalities and diversity. Even if there is minimal reporting, this is limited to the past specified SPIs but with minimal narrative to put this in context.	<b>Fully = 7</b> <ul style="list-style-type: none"><li>• Angus</li><li>• Argyll and Bute</li><li>• East Renfrewshire</li><li>• Midlothian</li><li>• North Lanarkshire</li><li>• Perth and Kinross</li><li>• West Lothian</li></ul>
	Good practice examples:  <b>North Lanarkshire:</b> PPR material includes additional indicators on ethnic minorities and disabled recruitment, and percentage of female head teachers. Good narrative, performance compared against targets and previous years and reported with a traffic light system.  <b>Perth and Kinross:</b> The Public Services section of the SOA Annual Report 2012/13 contains some equality indicators with supporting commentary describing performance, including the local indicator, Relevant policies across all services that have been equality impact assessed (%). The PKC Evidence Portal also contains links to a range of further supporting evidence. Equalities indicators also embedded throughout wider PPR material.			



	Characteristics of councils who have...			
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	Councils that have fully met the criteria
SPI 2				
Benefits administration	PPR material gives a fuller picture, going beyond the past SPI and provides additional local indicators. In addition narrative puts performance in context and in some cases provides trend information over time. High-level PPR material references or links to relevant reports where appropriate.	PPR material is limited to the past specified SPI on benefit administration costs. There is an absence of further local indicators or narrative to put performance in context and aid the reader.	PPR material either has no reference to benefits administration or if there is a reference, does not include supporting data to provide evidence of performance.	<b>Fully = 9</b> <ul style="list-style-type: none"><li>• Angus</li><li>• Dundee City</li><li>• East Ayrshire</li><li>• East Dunbartonshire</li><li>• East Renfrewshire</li><li>• Fife</li><li>• Midlothian</li><li>• North Lanarkshire</li><li>• Scottish Borders</li></ul>
	Is likely to also include coverage of how the council has responded to welfare reforms and any service impacts as a result.	The PPR material may only comment on welfare reform with limited or no supporting performance information.		
Good practice examples:				
<b>Angus:</b> Links to further information on school meals, benefit fraud etc. Additional local indicators included with comparison over time and against targets. An article on Welfare Reform was in Angus Life Magazine.				
<b>Fife:</b> A good range of indicators on benefits costs, uptake and fraud with a three year trend and some narrative. Links to Welfare reform mini-site where impacts are explained.				



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Community care</b>	<p>PPR material gives a fuller picture, going beyond past specified indicators on community care and provides additional local indicators, such as:</p> <ul style="list-style-type: none"> <li>• service user satisfaction.</li> <li>• Number of people waiting longer than target time for service</li> <li>• the percentage of personal carers who are qualified to SSSC (Scottish Social Services Council) standard</li> </ul> <p>Is likely to also include some commentary on integration of adult health and social care and other relevant policy developments, such as implementation of self-directed support.</p>	<p>PPR material is limited to reference to our past specific SPI on home care, covering numbers, hours for age 65+ and personal care, service during evenings/overnight and weekends. PPR material has one or two additional indicators but without any narrative to set these into context.</p> <p>Coverage may include commentary on policy developments (integration of adult health and social care, self directed support) but with limited or no further information on core service performance.</p>	<p>PPR material either has no reference to community care services, no indicators or a casual reference to community care but without any supporting data.</p>	<p><b>Fully = 27</b></p> <ul style="list-style-type: none"> <li>• Aberdeen City</li> <li>• Angus</li> <li>• Argyll and Bute</li> <li>• Clackmannanshire</li> <li>• Dumfries and Galloway</li> <li>• Dundee City</li> <li>• East Ayrshire</li> <li>• East Dunbartonshire</li> <li>• East Lothian</li> <li>• East Renfrewshire</li> <li>• Edinburgh City</li> <li>• Falkirk</li> <li>• Fife</li> <li>• Glasgow City</li> <li>• Highland</li> <li>• Midlothian</li> <li>• Moray</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• Perth and Kinross</li> <li>• Renfrewshire</li> <li>• Scottish Borders</li> <li>• South Ayrshire</li> <li>• South Lanarkshire</li> <li>• Stirling</li> <li>• West Dunbartonshire</li> <li>• West Lothian</li> </ul>



	Characteristics of councils who have...			
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	Councils that have fully met the criteria
	<p>Good practice examples:</p> <p><b>Aberdeen:</b> . Some feedback from social care clients in annual report. Good graphic/figures and commentary related to telecare. Care places for adults with comparison councils. Old SPIs with additional commentary.</p> <p><b>Glasgow:</b> Additional indicators on delayed discharge, outcome based support plans, carer assessments and satisfaction with re-enablement. Good narrative, comparison with previous years and traffic light coding for targets.</p> <p><b>Stirling:</b> A very good range of social work indicators on the Annual Performance reporting page. The indicators include care inspection evaluation and several customer satisfaction indicators.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Criminal justice social work</b>	<p>PPR material gives a fuller picture of performance, providing a range of local indicators such as:</p> <ul style="list-style-type: none"> <li>the number of community payback orders started within 7 working days</li> <li>% of community payback orders successfully completed.</li> <li>reconviction rates</li> </ul> <p>PPR material may link to a higher level strategic theme within the SOA related to criminal justice social work and community safety – but will maintain clear coverage of council performance.</p>	<p>PPR material provides a range of performance indicators, but there is an absence of narrative or trend information to help the reader understand how the council is performing.</p> <p>Performance information may only be available in linked/signposted reports without any high level summary included in the main PPR outputs.</p>	<p>PPR material either has no reference to criminal justice social work services, or a casual reference without any supporting data.</p> <p>Coverage may only relate to high level crime and safety data and not to the performance of criminal justice social work services.</p>	<p><b>Fully = 14</b></p> <ul style="list-style-type: none"> <li>Angus</li> <li>Clackmannanshire</li> <li>East Lothian</li> <li>East Renfrewshire</li> <li>Glasgow City</li> <li>Inverclyde</li> <li>Midlothian</li> <li>North Lanarkshire</li> <li>Perth and Kinross</li> <li>Scottish Borders</li> <li>South Ayrshire</li> <li>Stirling</li> <li>West Dunbartonshire</li> <li>West Lothian</li> </ul>
	<p>Good practice examples:</p> <p><b>Angus:</b> Includes local indicators with comparison against previous years and targets. Good narrative and links to further information.</p> <p><b>Perth and Kinross:</b> The Safer Communities section of the SOA Report 2012/13 contains a set of criminal justice indicators including re-conviction rates, and wider community safety indicators. These are supplemented by narrative explaining performance. The Performance Summary highlights key performance. The PKC Evidence portal also contains sign-posts to sources of more detailed information on council performance, e.g., community payback orders reports.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Cultural &amp; community services covering at least sport &amp; leisure, museums, the arts and libraries</b>	<p>PPR material gives a fuller picture of performance and covers the four specified strands of cultural and community services. Provides additional indicators that give a wider picture of performance such as:</p> <ul style="list-style-type: none"> <li>• cost per attendance</li> <li>• service user satisfaction</li> <li>• specific improvement actions</li> </ul> <p>PPR material may be linked to a higher level strategic theme but will maintain relevant council performance information.</p>	<p>PPR material focusses mainly on previously specified indicators. Coverage may not include the four minimum strands.</p> <p>There is narrative but this may not cover the four specified strands and/or there is a lack of evidence to support the performance assessment.</p>	<p>There is little or no reporting on performance on cultural and community services, lacking even basic SPI information. Other cultural activities may be mentioned, but with a lack of evidence to give an assessment of performance.</p>	<p><b>Fully = 14</b></p> <ul style="list-style-type: none"> <li>• Aberdeen City</li> <li>• Aberdeenshire</li> <li>• Angus</li> <li>• Argyll &amp; Bute</li> <li>• Dundee City</li> <li>• East Lothian</li> <li>• East Renfrewshire</li> <li>• Highland</li> <li>• Inverclyde</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• Renfrewshire</li> <li>• Scottish Borders</li> <li>• West Lothian</li> </ul>
	<p>Good practice examples:</p> <p><b>Aberdeenshire:</b> In Education, Learning and Leisure full performance report figures on use of sports facilities, libraries, community capacity building activities. There is also graphical representation within the annual performance review and satisfaction survey as part of the reputation tracker.</p> <p><b>Inverclyde:</b> Good information on use of sport facilities, libraries and museums with satisfaction surveys and cost information. Commentary relates to local/specific places.</p> <p><b>North Lanarkshire:</b> Additional indicators on school visits to museums , % borrowers, no. of library transactions, e-info hits, learning centres, outdoor centre usage, good narrative, compared against targets and previous years and reported with a traffic light system.</p> <p><b>West Lothian:</b> There is lots of information available on participation and use of community facilities within covalent. There is good information on participation, particularly on sport with the factfile.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Planning (both environmental and development management)</b>	<p>PPR material gives a fuller picture of performance going beyond the past specified indicators to cover the wider context of planning progress on local development plans, for example setting out what they hope to achieve.</p> <p>May also include local indicators, eg covering customer satisfaction and service costs.</p>	<p>PPR material is limited to the past specified indicators, the average time to deal with major and local planning applications, but they do contain narrative to help the reader make sense of performance.</p>	<p>PPR material either has no reference to planning) or is limited to the past specified SPI but without any narrative to put performance in context or actual indicators to evidence performance.</p>	<p><b>Fully = 15</b></p> <ul style="list-style-type: none"> <li>• Angus</li> <li>• Argyll and Bute</li> <li>• Dundee City</li> <li>• East Ayrshire</li> <li>• East Dunbartonshire</li> <li>• East Lothian</li> <li>• Edinburgh City</li> <li>• Fife</li> <li>• Inverclyde</li> <li>• Midlothian</li> <li>• Perth and Kinross</li> <li>• Scottish Borders</li> <li>• South Ayrshire</li> <li>• Stirling</li> <li>• West Lothian</li> </ul>
	<p>Good examples:</p> <p><b>Dundee City:</b> PPR material covers eight performance indicators. Included in Quarterly report to Scrutiny Committee and Comparative Performance report on Local Government Benchmarking Framework Performance Indicators. Annual report also provides more detail and context on planning performance, illustrated by exhibits.</p> <p><b>Midlothian:</b> The main PPR report includes a section entitled "Planning Applications" which summarises performance on planning related indicators. This brief section summarises the council's performance on planning applications with performance further illustrated by accompanying narrative, exhibits and RAG status. This council's Planning and Development quarterly and annual performance reports for provide some more detail on planning performance, including consultation on the local plan. These reports outline detailed coverage of council performance against targets with commentary and include local indicators.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>The education of children</b>	<p>PPR material gives a fuller picture of performance, covering key aspects of the education of children. Pinpoints key SQA/SCQF attainment but also includes additional local indicators.</p> <p>Will draw on wider performance information where available, such as Education Scotland inspection results and satisfaction information</p> <p>May link to a higher level strategic theme within the SOA but will maintain clear coverage of council performance.</p>	<p>PPR material reports some aspects of education performance, but there are significant gaps (for example only reporting on exam results or absence levels).</p> <p>There may be an absence of narrative to help the reader understand performance or information may be patchy.</p>	<p>PPR material does not include an evaluation of performance for the education of children within high level public performance reports. It may only provide links to inspection reports or service reports.</p> <p>There may only be commentary with no evidence provided to support.</p>	<p><b>Fully = 24</b></p> <ul style="list-style-type: none"> <li>• Aberdeen City</li> <li>• Angus</li> <li>• Argyll and Bute</li> <li>• Clackmannanshire</li> <li>• Dumfries and Galloway</li> <li>• East Ayrshire</li> <li>• East Dunbartonshire</li> <li>• East Lothian</li> <li>• East Renfrewshire</li> <li>• Edinburgh City</li> <li>• Eilean Siar</li> <li>• Falkirk</li> <li>• Glasgow City</li> <li>• Midlothian</li> <li>• Moray</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• Perth and Kinross</li> <li>• Renfrewshire</li> <li>• Scottish Borders</li> <li>• South Ayrshire</li> <li>• South Lanarkshire</li> <li>• Stirling</li> <li>• West Lothian</li> </ul>
	Good practice examples:			



Characteristics of councils who have...				
...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria		Councils that have fully met the criteria
<p><b>Argyll and Bute:</b> Annual Report provides good coverage of education related indicators and performance, including performance against targets, over time and benchmarks. It provides a wider picture beyond merely attainment statistics. The Education Performance and Standards and schools web pages supplement this material.</p> <p><b>East Renfrewshire:</b> A comprehensive range of performance material covering education is available in various formats (online, hard copy etc.) The Successful learners section of the Annual Report details performance against a set of indicators with narrative. This is supported by the Education Service's own PPR report, Mid and End Year Strategic and Departmental Performance Reports, Standards and Quality report, Education Scotland inspection reports. These provide a full picture of education performance with opportunities to drill down into specific areas.</p> <p><b>Falkirk:</b> Wide range of indicators including leavers' destinations, school meals, attendance, vandalism, eco schools. Trends and traffic lights supported by a good narrative.</p> <p><b>Scottish Borders:</b> Additional indicators on school leaver destination and sustained destination, higher education enrolment, attendance, exclusions, perception of influence and bullying. Compared across years using graphs and good narrative.</p>				



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Child protection and children's social work</b>	<p>PPR material provides a fuller picture of performance, covering both child protection and children's social work services. Provides a comprehensive range of indicators such as:</p> <ul style="list-style-type: none"> <li>• placement of looked after children</li> <li>• % of children seen by a supervisor officer within 15 days</li> <li>• children on the child protection register</li> </ul>	<p>PPR material reports on some elements of performance but tends not to provide a range of information to cover both child protection and/or children's social work. There is a lack of narrative to put performance in context.</p>	<p>PPR material contains little or no reference to child protection and children's social work. There is an absence of indicators or the indicators provided are not up to date.</p>	<p><b>Fully = 19</b></p> <ul style="list-style-type: none"> <li>• Aberdeen City</li> <li>• Angus</li> <li>• Argyll and Bute</li> <li>• Clackmannanshire</li> <li>• East Dunbartonshire</li> <li>• East Lothian</li> <li>• Falkirk</li> <li>• Glasgow City</li> <li>• Inverclyde</li> <li>• Midlothian</li> <li>• Moray</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• Perth and Kinross</li> <li>• Renfrewshire</li> <li>• Scottish Borders</li> <li>• South Ayrshire</li> <li>• West Dunbartonshire</li> <li>• West Lothian</li> </ul>
<p>Good practice examples:</p> <p><b>Glasgow:</b> Additional indicators on foster parents, placement moves, SCRA reports, child protection register, substance misuse, children's hearings. Comparison with previous years, targets and narrative.</p> <p><b>North Ayrshire:</b> Good commentary around child protection in annual report range of indicators, including cost of looked after children and supervision order indicators and kinship care placements.</p> <p><b>Scottish Borders:</b> Additional indicators on destination of looked after school leavers, child poverty, child protection register, parental substance abuse, child neglect, sexual crimes against children, domestic abuse and profile of looked after children. Good narrative and comparison over years and against Scotland average.</p>				



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Housing &amp; homelessness</b>	<p>PPR material provides a fuller picture of performance in relation to housing and homelessness, with local indicators such as:</p> <ul style="list-style-type: none"> <li>• rent arrears</li> <li>• SHQS</li> <li>• energy efficiency</li> <li>• rates of house building</li> <li>• provision of affordable homes</li> <li>• performance in relation to homelessness</li> </ul> <p>There is good narrative to help the reader make sense of performance, including trend and target information where appropriate.</p> <p>Includes information on tenant engagement and satisfaction.</p>	<p>PPR material provides only a limited coverage of housing and homelessness services, relying mainly on previously specified indicators.</p> <p>There may be a lack of supporting narrative to contextualise the performance.</p>	<p>PPR material contains little or no reference to housing and homelessness services. In some cases there is limited narrative on the service, but there is a lack of key indicators to evidence performance.</p>	<p><b>Fully = 20</b></p> <ul style="list-style-type: none"> <li>• Aberdeen City</li> <li>• Angus</li> <li>• Clackmannanshire</li> <li>• Dundee City</li> <li>• East Ayrshire</li> <li>• East Lothian</li> <li>• East Renfrewshire</li> <li>• Fife</li> <li>• Highland</li> <li>• Midlothian</li> <li>• Moray</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• Perth and Kinross</li> <li>• Renfrewshire</li> <li>• Scottish Borders</li> <li>• South Ayrshire</li> <li>• South Lanarkshire</li> <li>• Stirling</li> <li>• West Lothian</li> </ul>
	<p>Good practice examples:</p> <p><b>Aberdeen:</b> Repairs and improvements on homes in annual report and fuel poverty plan. Key housing data relating to stock and size in Key Facts report. Good context commentary around old SPIs.</p> <p><b>Clackmannanshire:</b> Indicators on affordable homes built, acceptable behaviour agreements, homelessness, young people leaving care, customer satisfaction, new tenancy visits. Compared against previous years and targets with a narrative.</p> <p><b>Highland:</b> Well-sign-posted links to the SPI report and Corporate Performance Report 2012-13, which incorporates SPIs and also reports against a range of local indicators. The main PPR newsletter, "Working together for the Highlands" contains a sections entitled, "Working together for better housing" which summarises and provides narrative on key aspects of performance.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Protective services including environmental health, and trading standards</b>	<p>PPR material provides a fuller picture of performance against the range of protective services. Includes local indicators such as:</p> <ul style="list-style-type: none"> <li>• food safety, pest control, flood alleviation and customer satisfaction of these services</li> </ul> <p>PPR material includes good narrative that assists the reader to make sense of performance, and where appropriate includes trend data, comparisons and progress against target.</p>	<p>PPR material provides only a limited picture of performance and lacks coverage across a broader range of protective services including both environmental health and trading standards. In some cases the focus is only on the past specified indicators on trading standards consumer complaints and business advice requests.</p>	<p>PPR material contains little or no reference to protective services and there is no use of the past specified SPIs related to these services.</p>	<p><b>Fully = 9</b></p> <ul style="list-style-type: none"> <li>• Angus</li> <li>• Argyll and Bute</li> <li>• Clackmannanshire</li> <li>• East Lothian</li> <li>• Inverclyde</li> <li>• Midlothian</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• West Lothian</li> </ul>
	<p>Good practice examples:</p> <p><b>North Ayrshire:</b> Annual report and portal includes food quality, pest control, environmental health cost per head of population with narrative within the portal. Link to separate trading standards webpage which considers customer satisfaction surveys.</p> <p><b>North Lanarkshire:</b> Additional indicators on food hygiene, trading standards inspections, pest control and environmental crime. Good narrative compared against targets and previous years and reported with a traffic light system.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Roads and lighting</b>	<p>PPR material provides a fuller picture of performance across a range of road and lighting information. There is good narrative to help the reader make sense of performance, and where appropriate this includes trend and comparison information.</p> <p>Examples of local indicators:</p> <ul style="list-style-type: none"> <li>• traffic light failure repairs</li> <li>• winter maintenance works completed during instructed time period</li> <li>• % of road network resurfaced</li> </ul>	<p>PPR material provides only a limited picture of performance, normally focusing on roads or lighting, but in the main, not both. In some cases the focus remains on the past specified indicators, e.g. carriageway condition.</p>	<p>PPR material contains no or little reference to roads and lighting services. If there is reference it is limited to the past specified SPIs.</p>	<p><b>Fully = 13</b></p> <ul style="list-style-type: none"> <li>• Aberdeen City</li> <li>• Angus</li> <li>• Clackmannanshire</li> <li>• Dumfries and Galloway</li> <li>• East Ayrshire</li> <li>• East Dunbartonshire</li> <li>• East Lothian</li> <li>• East Renfrewshire</li> <li>• Inverclyde</li> <li>• North Lanarkshire</li> <li>• Scottish Borders</li> <li>• South Lanarkshire</li> <li>• West Lothian</li> </ul>
	<p>Good practice examples:</p> <p><b>Aberdeen:</b> Case study on new road in annual report. Indicators go beyond the SPIs - looking at traffic light repairs, pothole repairs and road network restrictions with good contextual commentary including a mention of costs.</p> <p><b>Dumfries and Galloway:</b> Some commentary within the newsletter on winter maintenance and traffic calming measures. Some good commentary and indicators on road safety and maintenance in progress report.</p> <p><b>East Ayrshire:</b> Good narrative, budget information. Additional indicators on road safety, street lighting, winter maintenance and road maintenance.</p>			



	Characteristics of councils who have...			Councils that have fully met the criteria
	...fully demonstrated the PPR criteria	...partially demonstrated the PPR criteria	...not demonstrated the PPR criteria	
<b>Waste management services</b>	<p>PPR material provides a fuller picture of performance across the range of waste management services. Information goes further than the past specified SPIs to include local indicators such as:</p> <ul style="list-style-type: none"> <li>• service costs</li> <li>• bin collection rates</li> </ul> <p>Coverage will be likely to include satisfaction or complaints information.</p>	<p>PPR material is focused very much on the past specified indicators and does not provide a wider picture of performance. There may be some narrative to contextualise performance but the range of information is limited with obvious gaps.</p>	<p>PPR material contains no or little reference to waste management services.</p>	<p><b>Fully = 16</b></p> <ul style="list-style-type: none"> <li>• Angus</li> <li>• Dumfries and Galloway</li> <li>• Dundee City</li> <li>• East Dunbartonshire</li> <li>• East Lothian</li> <li>• East Renfrewshire</li> <li>• Fife</li> <li>• Inverclyde</li> <li>• Midlothian</li> <li>• Moray</li> <li>• North Ayrshire</li> <li>• North Lanarkshire</li> <li>• Renfrewshire</li> <li>• South Ayrshire</li> <li>• Stirling</li> <li>• West Lothian</li> </ul>
<p>Good practice examples:</p> <p><b>Dumfries and Galloway:</b> Good commentary in the newsletter on Waste in connection with the national waste regulations. Good use of wide range of indicators with local commentary in progress report.</p> <p><b>Dundee:</b> PPR material covers range of indicators. Included in Quarterly report to Scrutiny Committee and Comparative Performance report on Local Government Benchmarking Framework Performance Indicators. Annual report includes a section (Environment) which describes waste management performance in more detail, provides explanatory text, includes references to CO2 emissions and contains exhibits.</p> <p><b>East Renfrewshire:</b> A range of waste management related indicators are highlighted in the main PPR report, Annual Report 2012-2013, including recycling rates &amp; resident satisfaction with street cleaning and litter patrols. Waste management performance is also reported in included in the SPI return, LGBF comparative report and mid and end year performance reports.</p>				



## Appendix 4 - Review methodology

1. Our review considered PPR arrangements for all 32 councils' for the 2012/13 financial year.
2. Councils were invited to explain their PPR arrangements and we reviewed the material available. Our review considered the following:
  - How well councils have reported performance against the corporate assessment themes and service areas set out in the Direction for SPIs 1 and 2.
  - The extent to which councils included:
    - local performance indicators (including cost and service user feedback)
    - contextual information
    - trend and target data
    - comparative data (over time and/or with other councils)
    - customer satisfaction levels with the councils' services.
  - The extent to which more detailed or further information is available, signposted and accessible to the reader.
  - The extent to which performance improvement areas are identified and explained.
3. The **assessment definitions** used to underpin our analysis are:
  - **Fully** – there is evidence that the council has moved beyond the Accounts Commission's 25 specified SPIs, with no obvious or major gaps in the comprehensiveness of the data reported. The data is explained through a clear narrative to allow the reader to understand the performance issues.
  - **Partially** – the council has reported information which goes beyond the Accounts Commission's 25 specified SPIs, but there are important gaps in the overall coverage. For example, either there is an absence of reporting on important services within a specific service area (eg museums and libraries within cultural and community services), or important aspects of service performance have not been covered (eg cost or customer satisfaction).
  - **No** – the council has simply reported the Accounts Commission's 25 specified SPIs, or has not reported any information at all in relation to this aspect of corporate activity or service performance.
4. Our review work began in May 2014, as we give councils the full year after the end of the 2012/13 to report on their performance for that financial year.
5. We assessed whether each council is fully, partially or not meeting the corporate assessment themes and service areas set out in the Direction. We focused on highlighting where there has been improvement and where continued improvement is required. The full results of our assessment can be found in Appendix 1.
6. The quality of the exercise was ensured by checking each SPI criteria to ensure we had been consistent and fair in our assessments of 'fully', 'partially' and 'not' meeting the criteria across all councils. This year we have again set out what we have seen within council PPR material that lead us to our specific assessments. We have captured the benchmarks set by councils in their 2012/13 PPR material in Appendix 3 and we have given examples of councils that have fully met the criteria.



## **ACCOUNTS COMMISSION**

### **MEETING 19 JUNE 2014**

### **REPORT BY SECRETARY TO THE ACCOUNTS COMMISSION**

#### ***HOW COUNCILS WORK SERIES***

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#### **Introduction**

1. The purpose of this report is seek the Commission's views on future subjects for the *How Councils Work* (HCW) series of reports.

#### **Background**

2. The HCW series began in 2010. Its aim was to use existing audit evidence to inform local government about important issues and to promote good practice.
3. The reports published to date are:
  - Roles and working relationships: Are you getting it right? – published in August 2010
  - Arms length external organisations: Are you getting it right? – June 2011
  - Using cost information: are you getting it right? – May 2012
  - Managing performance: Are you getting it right? – October 2012
  - Major capital projects in councils – good practice guide<sup>1</sup> - March 2013
  - Charging for services: are you getting it right? - 31 October 2013
  - Option appraisal: are you getting it right? - March 2014

#### **Survey of councils**

4. The Commission has been considering the impact of the series. To this end, a survey was undertaken at the start of 2014 and has been discussed by the Commission at its strategy seminar in March 2014 and subsequently by its committees. The survey had three main objectives:
  - To gauge the overall profile and awareness of these reports, and their usefulness, in councils.
  - To examine their effectiveness and how councils had made use of the reports.
  - To seek the views of councils on future topics which future reports should cover.
5. The survey was done over a period of four weeks in February and March, and the response rate was 53%. This comprised of 26 chief executives, 8 leaders, 16 chairs of audit committees, as well as one response where no personal details were provided. Responses were received from 29 councils and one 'unknown' respondent.

#### **Awareness and usefulness**

6. There was a high level awareness of the reports with 94 per cent of respondents reported having read at least one of the reports. The views of respondents on the usefulness of the reports is summarised thus:

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<sup>1</sup> This guide was produced in the style of a HCW report based on a performance audit.



Title	Very useful %	Quite useful %	Neutral %	Not very useful %	Not at all useful %
Roles and working relationships	37	59	4	0	0
Arms length external organisations	39	57	2	2	0
Using cost information	33	59	9	0	0
Managing performance	37	49	12	2	0
Charging for services	49	44	2	5	0

## Potential topics

7. Respondents were asked to suggest potential topics for future reports in the series. A number of topics were proposed by more than respondent, namely:
  - Capital planning
  - Community engagement
  - Shared services
  - Strategic commissioning
  - Decision-making (both structures and processes)
  - Scrutiny
  - Health and social care integration
8. The Commission had previously identified potential topics, thus:
  - Given the importance of leadership in the current local government environment – as reflected in the local government overview report - the potential be considered for some follow-up work around the first title in the HCW series, namely roles and working relationships (Commission meeting, 14 March 2013)
  - Public performance reporting (Commission meeting, 20 June 2013).
  - Risk management (Commission meeting, 16 January 2014)
9. At the Commission's strategy seminar, members agreed to propose that two HCW reports be undertaken yearly. Members did not formally propose further potential subjects beyond those above, but they did agree, in line with the first bullet above, that the Commission should revisit and refresh the HCW report on roles and working relationships, specifically around elected member roles, including the issues of multi-member wards and balancing local and corporate responsibilities.
10. Members also agreed at the strategy seminar to consider how to look at the effectiveness of audit and scrutiny, including audit and scrutiny committees (although noting ongoing Improvement Service work on decision-making structures), and possibly internal audit (including a revisit and refresh of the 2004 Commission report on internal audit<sup>2</sup>. It was not agreed, however, that this need necessarily be part of the HCW series.
11. Subsequently, the Commission's committees have considered the survey. In addition to those subjects identified above, the committees recommended the following as potential subjects for future reports in the series:
  - Roles and working relationships, particularly around:

<sup>2</sup> *A job worth doing: Raising the standard of internal audit in Scottish councils - A follow-up report*, Accounts Commission, July 2004.



- training and development and performance appraisal for elected members
  - elected member involvement in partnership working.
- Sustainability
- Services in relation to personal debt and financial inclusion.

#### **Link with other audit work**

12. The Commission will be considering at a workshop event in August possible topics for future performance audit work. Further to this, the Commission will also, in conjunction with the Auditor General, be seeking the views of scrutiny partners on possible topics and areas of collaborative work.
13. There may of course be crossover between the subjects identified in this report and potential performance audit work. It would seem opportune, therefore, to consider the range of topics set out in this report in the context of wider performance audit work.
14. It is therefore proposed that the Commission agree to include the topics that it identifies in such a wider discussion. Nevertheless, the Commission can also consider if there are any areas that it would like to progress immediately.

#### **Conclusion**

15. The Commission is invited to:
  - Consider the proposal from the strategy seminar that two HCW reports be undertaken yearly.
  - Consider potential subjects for the next reports in the HCW series.
  - Consider if there are subjects that it would like to progress immediately.
  - Consider the proposal to include discussion on future HCW subjects alongside a wider discussion on performance audit work.

**Paul Reilly**  
**Secretary to the Commission**  
**10 June 2014**



**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**REPORT BY ASSISTANT AUDITOR GENERAL**

**ANNUAL TRANSPARENCY AND QUALITY REPORT**

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**1. Purpose**

The purpose of this report is to provide the Commission with assurance about the quality of audit services delivered on its behalf by Audit Scotland and the professional firms. The report is attached.

**2. Background**

Audit Scotland's Corporate Quality Framework requires an annual Transparency and Quality report which combines information on governance structures with summaries of the quality arrangements and developments as well as the results of quality control activities during the year. The appendix describes the quality arrangements and recognises the role of the Commission and the Auditor General in ensuring the quality of some types of audit reports.

The Transparency and Quality report was considered by Audit Scotland's Board on 5<sup>th</sup> June 2014 as part of its review of assurances for Audit Scotland's governance and Governance Statement.

The key messages from the report are:

- Audit Scotland's Corporate Plan confirms our commitment to systematically improve the quality and impact of our work. Our Quality Framework, which was revised in 2013 to reflect international initiatives on the quality of audit, continues to provide an effective principle-led structure for our quality control and quality monitoring activities.
- The quality control arrangements in place across Audit Scotland continue to develop to drive us towards our vision of being a world class audit organisation.
- The results of quality monitoring activities this year enable us to provide assurance to the Auditor General and the Accounts Commission that high quality work has been carried out during 2013/14.

**3. Overall conclusion**

The conclusion in the report is that "Overall, the arrangements in place and activity for the year provide assurance that Audit Scotland and the private firms continue to provide the Auditor General and the Accounts Commission with high quality work".

**4. Recommendation**

The Commission is requested to discuss the report and to note its conclusion.

**Russell Frith**  
**Assistant Auditor General**  
**10 June 2014**



ANNUAL REPORT

13/14

**TRANSPARENCY  
AND QUALITY**



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.



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# Contents

<b>Key messages</b>	<b>4</b>
<b>Introduction</b>	<b>5</b>
<b>Transparency</b>	<b>7</b>
Vision, Values and Priorities	7
Governance and Structure	8
Finances	10
<b>Quality</b>	<b>11</b>
The components of a quality audit	11
Quality arrangements	11
Results of Quality Assurance Activity	13
Developments in Audit Quality Arrangements	21
<b>Conclusion</b>	<b>25</b>
<b>Appendix. Quality arrangements</b>	<b>26</b>
<b>Glossary</b>	<b>32</b>



# Key messages

- Audit Scotland's Corporate Plan confirms our commitment to systematically improve the quality and impact of our work. Our Quality Framework, which was revised in 2013 to reflect international initiatives on the quality of audit, continues to provide an effective principle-led structure for our quality control and quality monitoring activities.
- The quality control arrangements in place across Audit Scotland continue to develop to drive us towards our vision of being a world-class audit organisation.
- The results of quality monitoring activities this year enable us to provide assurance to the Auditor General and the Accounts Commission that high-quality work has been carried out during 2013/14.



# Introduction

1. Audit Scotland supports the Auditor General and the Accounts Commission to ensure public money in Scotland is used properly, efficiently and effectively. It does this by carrying out financial, performance and Best Value audits across the public sector in Scotland whose total annual spend is approximately £40 billion per annum. In carrying out this work Audit Scotland seeks to be transparent in its governance and operations and to produce consistent high quality audits.
2. Audit Scotland is a statutory body established under the Public Finance and Accountability (Scotland) Act 2000 to carry out audits and examinations for the Auditor General for Scotland and the Accounts Commission. The Auditor General audits or appoints the external auditor of most public bodies in Scotland except for local authorities where the Accounts Commission is responsible for securing audits.
3. The work undertaken in 2013/14 covers over 200 organisations including:
  - 75 central government bodies (Scottish Government, non-departmental public bodies, agencies and others)
  - Scottish Parliamentary Corporate Body
  - 23 NHS bodies
  - 32 councils
  - 11 local government pension funds
  - 45 joint boards and committees
  - 32 further education colleges
4. Professional firms that carry out audits of significant public interest companies are required to produce Transparency Reports; Audit Scotland is not covered by the underlying regulations but has chosen to produce its own report to comply with best practice.
5. Audit Scotland's Quality Framework, which sets out the high-level principles underpinning the quality of its work, was updated in 2013 and took account of a number of national and international initiatives and publications including the International Audit and Assurance Standards Board's *A Framework for Audit Quality* (2013; now finalised and published in 2014) and the Financial Reporting Council's *Professional Scepticism* (2012). The revised Framework 2013 required the annual quality report for 2012/13 onwards to take the form of a *Transparency and Quality Report* in line with best practice for auditors of public listed entities in the private sector.



6. This report therefore combines information on the overall structure and governance of Audit Scotland (*transparency*) with information on the arrangements in place for producing high quality work, by Audit Scotland and the appointed firms, in the services provided to the Auditor General and the Accounts Commission (*quality*). The report is prepared for Audit Scotland's Audit Committee to provide assurance to it and to the Board prior to the sign-off of the Annual Report and Accounts. The report also provides assurance to the Auditor General and to the Accounts Commission on the quality of the audit work carried out on their behalf.



# Transparency

## Vision, Values and Priorities

### Vision

7. Audit Scotland's Corporate Plan 2012-2015 sets out our vision to be a world-class audit organisation that improves the use of public money. The organisation's key function is to provide independent assurance to the people of Scotland that public money is spent properly and provides value for money.

### Values

8. Audit is at the heart of the work carried out by Audit Scotland staff. The principles which guide this work are set out in the Code Of Audit Practice:
  - Auditors are independent of the organisations that they audit
  - Public audit is wide in scope to reflect the accountabilities attached to the use of public money
  - Audits are based on comprehensive risk assessment
  - Reports are made public
  - Auditors work in partnership with each other
  - Auditors work collaboratively with other scrutiny bodies
  - Auditors work as catalysts to help public bodies improve their performance
  - Audits are carried out to a high standard using skilled and experienced staff
  - Audits are informed by assessment of costs and benefits and achievement of Best Value or value for money
  - Auditors balance confidentiality and information security with public accountability and freedom of information
9. Following consultation with staff, Audit Scotland has identified a set of core values that underpin our work. These are:
  - Independence and integrity: these values are integral to the credibility of the audit and it is important that auditors exhibit appropriate values, ethics and attitudes when carrying out their work
  - Valuing people: we empower and support our staff to be engaged, highly skilled and perform well
  - Quality: we systematically improve the quality and impact of our work - our arrangements for securing high quality are described in this report
  - Cooperation: we work together as one organisation



- Great communication: we seek out and manage information and intelligence to deliver excellent audits.

### Priorities

10. The Corporate Plan priorities for 2014 focus on developing the quality and sustainability of our work with ongoing investment in specific projects as follows:
  - A review of audit expectations to help maximise the impact of our work; this project was launched in 2013 and the feedback from stakeholders will assist in shaping our next strategic plan
  - A streamlining of Audit Services Group's (ASG) audit methodology
  - Development of an audit intelligence system to improve the use of data, guide our work and inform our judgements.

## Governance and Structure

### Governance

11. Effective governance is vital to our long-term sustainable success. Audit Scotland aims to apply the same high standards of governance and operations to ourselves as we recommend for others.
12. The Public Finance and Accountability (Scotland) Act 2000 established Audit Scotland as a corporate body to provide assistance and support to the Auditor General and the Accounts Commission. The Board of Audit Scotland supports the Auditor General and the Accounts Commission in their statutory responsibilities and oversees how Audit Scotland manages and uses resources but is not involved in individual audit judgements.
13. The statutory arrangements provide for effective governance of Audit Scotland whilst preserving the independence of the Auditor General and the Accounts Commission in their statutory roles. Independent audit judgements are made by the Auditor General, the Accounts Commission, the Controller of Audit and appointed auditors.
14. Audit Scotland is accountable to the Scottish Parliament for its use of resources through the Scottish Commission for Public Audit (SCPA), a parliamentary body whose membership includes MSPs from all main parties, which scrutinises Audit Scotland's budget and annual report and accounts. The SCPA also appoints the independent members of the board including the chair and appoints an external auditor.
15. The Act provides for a five-member board which has overall responsibility for the strategic direction of the organisation and for approving significant policies. The Board members during 2013/14 were:
  - An independent chair, Ronnie Cleland, and two independent non-executive members, Katharine Bryan (to March 2014) and John Maclean, who are appointed by the SCPA



- The Auditor General for Scotland, Caroline Gardner who is also the Accountable Officer for Audit Scotland. She was appointed by the Crown for a single fixed term of eight years from 1 July 2012
- The Chair of the Accounts Commission, Douglas Sinclair (from 1 December 2013) (John Baillie to 30 November 2013): the Accounts Commission is responsible for local authority audits and is independent of local government; the Chair and Commission members are appointed by Scottish Ministers.

16. The Board is supported by two committees:

- An audit committee which supports the Board by reviewing the internal controls, risk management processes and governance arrangements. The committee oversees the appointment of internal auditors and considers the annual report and accounts and reports from both internal and external auditors. In addition to board members, Heather Logan was co-opted to the committee for one year from January 2014.
- A remuneration and human resources committee which supports the Board in determining the remuneration of management team members and the remuneration policies for all staff. The remuneration of the Auditor General is set by the Scottish Parliamentary Corporate Body. The remuneration of the independent board members is determined by the SCPA.

17. A management team oversees Audit Scotland's day-to-day operations. The members at 31 March 2014 were:

- Caroline Gardner, Auditor General for Scotland
- Diane McGiffen, Chief Operating Officer, who chairs the management team meetings and is responsible for Audit Scotland's internal operations and business performance
- Russell Frith, Assistant Auditor General, who is responsible for the external strategic and development work of financial audit, as well as auditing and accounting standards, technical support and quality assurance. He advises on the appointment of auditors, the oversight of audit quality and provides guidance and advice on accounting, auditing and ethical matters to auditors. He acts as Audit Scotland's Ethics Partner and is supported by the Audit Strategy Group
- Fraser McKinlay, Director of Performance Audit and Best Value, who is also Controller of Audit and leads the Performance Audit and Best Value Group (PABV)
- Fiona Kordiak, Director of Audit Services, who leads ASG which provides in-house audit services to the health, central government, further education and local government sectors
- Lynn Bradley, Director of Corporate Programmes, who is responsible for key areas of development including corporate knowledge and information management and corporate performance reporting

In addition, Barbara Hurst, as Director of Performance Audit, managed the then Performance Audit Group (PAG) until 3 July 2013.



## Operational Structure

18. During 2013/14 Audit Scotland brought together two of its business groups, the Performance Audit Group (PAG) and the Best Value and Scrutiny Improvement Group (BVSIG), in order to reflect the changing external environment of cross sector and partnership working and to benefit from uniting the closely linked skills of the two groups. The resulting operational structure is:
- ASG which carries out annual risk-based audits on a five-year appointment cycle
  - PABV which is responsible for delivering the Auditor General and Accounts Commission's programme of national performance audits and carries out Best Value (BV) audits of local authorities, scrutiny improvement including shared risk assessments and Community Planning Partnership (CPP) audits
  - Audit Strategy whose key responsibilities are audit procurement, technical guidance and support, reviewing and reporting on audit quality, coordination of the National Fraud Initiative exercise in Scotland and delivering benefits performance audits of local government
  - Corporate Services which includes staff in communications and media, finance, information services, human resources and organisational development, facilities management and business support.
19. The Auditor General or the Accounts Commission appoint the external auditors of public bodies in Scotland for periods of five years with the current appointments ending with the 2015/16 audits. Appointments to carry out annual audits are split between ASG staff and seven private firms; the latter carrying out just under half of these engagements. The Appendix contains a break-down of sector appointments by firm. Performance and Best Value audits are generally carried out by Audit Scotland staff with assistance from appointed auditors or external experts where appropriate.
20. Audit Scotland has a workforce of approximately 260 whole-time equivalent staff, over half of whom are in ASG. Staff are based at our offices in Edinburgh, Glasgow and Inverness.

## Finances

21. Audit Scotland submits annual budget proposals to the SCPA for consideration. The SCPA takes evidence in public on the proposals and then makes a report to the Scottish Parliament as part of the annual Budget Act approval process.
22. Audit Scotland's activities are funded through direct funding from the Scottish Consolidated Fund (2013/14: £6.3 million) plus audit fees paid by the audited bodies, bank interest and miscellaneous income (2013/14: £17.6 million).
23. We embarked on a four-year plan in 2010 to reduce the cost of audit by at least 20% in real terms by 2014/15 and over the period to the end of the 2013/14 audit year we have delivered a cumulative real term reduction in fees of 23.5%.



# Quality

## The components of a quality audit

24. In keeping with our vision to be a world-class audit organisation, our Corporate Quality Framework takes account of the five elements of a quality audit set out in the International Audit and Assurance Standards Board's (IAASB) *A Framework for Audit Quality*. The Framework states that:

A quality audit is likely to have been achieved by an engagement team that:	
•	Exhibited appropriate values, ethics and attitudes
	Was sufficiently knowledgeable, skilled, and experienced and had sufficient time allocated to perform the audit work
•	Applied a rigorous audit process and quality control procedures that complied with law, regulation and applicable standards
	Provided useful and timely reports and
•	Interacted appropriately with relevant stakeholders

Source: IAASB, *A Framework for Audit Quality, Key Elements that Create an Environment for Audit Quality*, IFAC, February 2014, Para 2

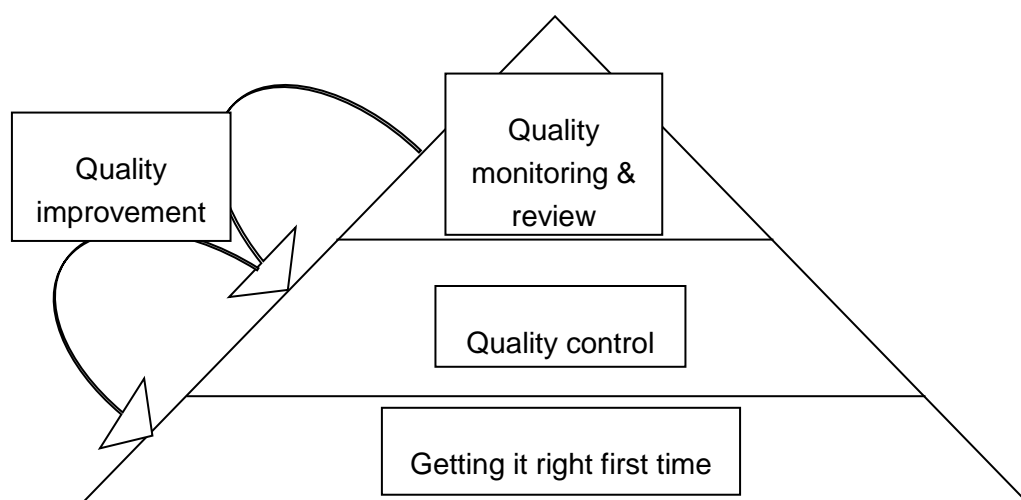
25. Our Quality Framework sets out how these important components are relevant to Audit Scotland's work. Key quality appraisal activities such as biennial audit quality surveys issued to audited bodies for feedback and internal or peer reviews of our work provide assurance on these criteria. The remainder of this report describes in more detail how we demonstrate these elements across our business groups through the quality control arrangements which have been put in place and the results of quality assurance activities during the year.

## Quality arrangements

26. As was noted in the Transparency section of this report, our staff consider quality as one of the core values underlying the work which they carry out. Our Corporate Plan confirms our commitment to systematically improve the quality and impact of our work. This commitment is embedded in our Quality Framework document which sets out the following principles:
- Quality is the responsibility of everyone in Audit Scotland
  - Our approach to quality will drive continuous improvement across Audit Scotland
  - Quality will be assessed in terms of outputs, outcomes and impact, as well as inputs and processes



27. The overall quality framework is shown in the diagram below:



28. Getting it right first time is key to Audit Scotland being a high quality, efficient and effective audit organisation and requires that quality is embedded in all our thinking, our processes and our activities. Each member of staff in Audit Scotland has a responsibility to get it right first time, and needs to demonstrate a commitment to quality in everything they do.
29. Quality control refers to quality management during an audit or project. It may involve peer review and in some cases external input. There are four principal characteristics of quality control:
- Review at regular intervals by staff internal or external to the organisation
  - Regular internal challenge sessions
  - Formal assessment of adherence to local quality processes
  - Proportionality of quality control activities to maximise the quality and efficiency of work and allow staff to retain a sense of ownership.
30. Quality monitoring and review ensures that all types of audit work are reviewed and lessons are learned and used to improve our processes and methodologies. The activities undertaken as part of quality control and quality monitoring and review are described in more detail in the sections below on quality arrangements and results of quality control activity.
31. Our Corporate Plan priorities for 2014 confirm that we will continue to develop professional and ethical requirements in line with international developments and make sure they inform all of our judgements. We revised our quality framework last year to reflect our vision and priorities and focus on professional scepticism, making reports valuable and our use of resources.



32. The diagram below summarises the respective responsibilities within Audit Scotland for the key strands of audit quality:



33. Business groups are responsible for establishing the quality arrangements for their activities including the processes for getting it right first time, quality control and quality monitoring and review. Key documents are available to staff on the Audit Scotland intranet.
34. The Corporate Quality Group supports the maintenance of the Corporate Quality Framework and the preparation of this *Transparency and Quality Report*. With representatives from each business group, it co-ordinates and shares best practice in quality monitoring and review and supports each business group's quality control and monitoring procedures. These arrangements are described in detail in the Appendix to this report.
35. The following sections of the report outline the results of our quality control activity during 2013/14 and developments in audit quality arrangements taking place in each business group.

## Results of Quality Assurance Activity

### Audit Services

#### Quality monitoring reviews

36. At the commencement of our current five-year appointments for 2011-16, ASG Management Team agreed that a five-year cycle of 'cold' reviews would be developed to align with the audit portfolio timescales. Cold reviews are comprehensive audit reviews undertaken by the Quality Monitoring Team (QMT) or partner-body (see below) after publication of the annual audit



report. In 2011-12, the first year of the current round of audit appointments, eight cold reviews were completed by the QMT and partner-bodies.

37. Our arrangements for the 2012/13 audits incorporated the presence of the Institute of Chartered Accountants of Scotland (ICAS) quality monitoring team, who completed their second biennial assessment. The scope of their work was to:
  - cold review a sample of audits to assess the quality of audit work and compliance with the International Standards on Auditing (ISAs) and the Auditing Practices Board's (APB) Ethical Standards
  - review financial statement disclosures for the audited entities sampled
  - review Audit Scotland's progress against the findings contained within the report issued in relation to the outcomes from their first assessment of 2010/11 audits.
38. ICAS selected a sample of six audits for review, with their sample selection designed to ensure coverage across all six of ASG's assistant directors between this visit (Cycle Two) and their earlier assessment in 2012 (Cycle One). We were pleased with the positive assurance provided by the ICAS work and the relatively small number of areas for improvement identified. ICAS's findings have been shared with the relevant audit teams and the Professional Standards Group (PSG) who will consider whether any further guidance or training is required for the wider ASG.
39. As a result of the ICAS reviews, the QMT undertook fewer assessments in 2012/13, reducing the coverage to four audits. The audits selected for coverage were based on a combination of the risk profile of the audit, planned coverage of engagement leads and a mix of sectors. Our conclusions from these reviews broadly mirrored the findings from the ICAS reviews with all audits complying with ISAs in all material respects but scope identified for improvements in the audit approach and in the recording of audit work. Areas for improvement have been advised to the respective audit teams for action.
40. As part of the review process undertaken by QMT, we continued to work with other UK audit agencies. The Northern Ireland Audit Office (NIAO) carried out the cold review of one of the four audits selected for review by the QMT and we completed a reciprocal review of one of theirs. The NIAO also concluded that the audit they reviewed complied with ISAs. The minor recommendations made by the NIAO are being actioned by the audit team concerned.
41. The involvement of partner audit bodies in cold reviews continues arrangements that were established in 2012. In addition to providing us with further external assessment of our work, these reciprocal cold reviews provide the QMT with the opportunity to share good practice that they identify with ASG teams.
42. The overall conclusion from quality monitoring this year was that the selected audits were completed in compliance with the ISAs and with ASG's Audit Guide in all material respects. Areas for improvement have been shared with individual teams and action plans developed to implement these. Where improvement areas require wider consideration, the QMT has shared findings with the PSG which develops ASG's audit approach. The key messages from the review work will also form part of the annual technical update session for all ASG staff and will



be reinforced by ASG. Hot reviews (see Appendix) for 2013/14 commenced in April 2014 and include a focus on issues identified through the cold review process.

### Engagement peer reviews

43. ASG's Audit Guide sets out the criteria for an audit to be considered for an engagement peer review under the International Standard on Quality Control (ISQC1). Fifteen 2012/13 audits met the criteria for a peer review. In each case, the peer reviews were completed in a timely manner and confirmed that the audit opinions were appropriate.

## Audit Strategy

### Financial Reporting Council Audit Quality Review Reports

44. The Financial Reporting Council's (FRC) Audit Quality Review team (AQR) carries out annual audit quality inspections. The FRC issued public reports in spring 2013 for four of the seven firms which undertake audits for the Accounts Commission and the Auditor General:
  - PricewaterhouseCoopers
  - Deloitte
  - KPMG
  - Grant Thornton.
45. The reports cover a review of the firm-wide systems, policies and processes for ensuring audit quality, and a sample of their audits of public interest entities. In its inspections, the AQR team monitors firms' compliance with Auditing Standards, Ethical Standards and Quality Control Standards. PricewaterhouseCoopers, Deloitte and KPMG, as members of the 'Big Four' firms, are subject to a full-scope AQR annually; Grant Thornton, as a major firm outwith this group, is inspected every two years. The FRC has also produced an annual report summarising all of its inspection work. This brings together common findings and examples of good practice.
46. The four firms' public reports show a better combined performance when compared to the sample of firms overall inspected by the AQR team, with 67% of the audits sampled being assessed as *good with limited improvements required* (59% for the whole population), 24% as *acceptable overall with improvements required* (26%), and 9% *requiring significant improvement* (15%).
47. We have reviewed the individual reports and noted the recommendations for improvement made by the AQR team (which have been formally accepted by each firm); we record these recommendations as part of our own overall monitoring of the firms and use the information as a basis for dialogue with them.
48. The results of the AQR inspection work provide Audit Strategy with additional assurance over the quality of audit work carried out by four firms who collectively audit approximately one third of our audited bodies.



## **The Institute of Chartered Accountants of Scotland Audit Monitoring**

49. The three appointed firms outwith the AQR inspection scope (Scott-Moncrieff, Wylie & Bisset and Henderson Loggie) are registered by ICAS to carry out audit work and thereby fall within its audit monitoring responsibilities. ICAS's Annual Audit Monitoring Report for 2013 was reviewed and the overall outcomes were reported to PSG as areas for consideration for future training.

### **Firms' own quality control results**

50. Firms carry out their own internal audit reviews each year and Audit Strategy request copies of any reports issued from these activities and review them. In relation to the 2012/13 audit year, five such reports were received relating to public sector audits procured for the Auditor General or Accounts Commission. The findings from the review were satisfactory in terms of the quality of the internal review work carried out.
51. Annual transparency reports are published by the five largest firms which provide external audit work for the Auditor General and the Accounts Commission. Copies were obtained and reviewed to ensure the information within them was consistent with our own understanding of quality arrangements within these firms. The FRC's AQR team also read the firms' transparency reports during their audit inspections and we take note of their comments. We have no concerns in regard to these reports.

### **Review of audit outputs**

52. A sample of 60 2012/13 annual audit reports was reviewed by Audit Strategy for their compliance with the Code of Audit Practice, and as an assessment of the quality of reporting to the audited bodies. Our review covered all sectors and all audit providers.
53. The key findings from the product read exercise were that reports were on the whole compliant with the Code and were of a good quality. Examples of good and poor practice will be reported back to auditors in time to be addressed for the 2013/14 annual reports.

### **Audit service quality surveys**

54. Audit service quality surveys were issued to 56 central government (CG) and 35 local government (LG) bodies, asking for feedback on the 2012/13 audits. Response rates were 61% and 91% respectively.
55. The key indicators are:
- What audited bodies thought of the quality of service provided by the auditors
  - Whether the audit had made an impact on the bodies in the four areas defined in our corporate impact framework
  - Whether relevant national performance reports had had an impact on the body.
56. A summary of the responses received is shown in the tables below. The feedback was significantly positive in terms of the quality of audit service delivered and the overall impact of audit work. The impact of national performance reports in the CG sector reflects the more



diverse range of bodies and the fact that some reports may not be considered relevant to a particular organisation. The varied results for the specific impact areas reflect that not all audits plan to achieve impact in each area on every audit.

### Exhibit 1

#### Central Government

	% positive responses
Overall quality of service	94
Overall audit impact	82 (Finance Directors) 86 (Audit Committee Chairs)
Impact of audit on:	
• <i>Financial sustainability</i>	56
• <i>Transparent reporting of financial &amp; other performance</i>	74
• <i>Value for money</i>	49
• <i>Governance &amp; financial management</i>	74
Impact of 3 national performance reports (average)	35

### Exhibit 2

#### Local Government

	% positive responses
Overall quality of service	97
Overall audit impact	91 (Finance Directors) 89 (Audit Committee Chairs)
Impact of audit on:	
• <i>Financial sustainability</i>	72
• <i>Transparent reporting of financial &amp; other performance</i>	78
• <i>Value for money</i>	56
• <i>Governance &amp; financial management</i>	84
Impact of 7 national performance reports (average)	77



## Output monitoring

57. **Exhibit 3** sets out the key outputs from each sector for the audits of the 2012/13 financial statements:

### Exhibit 3 Outputs

	LG	Health	CG	FE
Audit opinion on time	30 September 13 88/88 (100%)	30 June 13 22/23 (96%)	31 October 13 71/76 (93%)	31 December 13 32/32 (100%)
Annual audit report on time	31 October 13 76/88 (86%)	31 July 13 23/23 (100%)	30 November 13 65/76 (86%)	31 December 13 30/32 (94%)
Accounts sent for laying on time	N/A	31 December 13 23/23 (100%)	31 December 13 76/76 (100%)	30 April 14 32/32 (100%)

58. During 2013/14, PABV delivered 24 reports against a target of 20.

## Oversight of acceptance of non-audit work

59. Audit Strategy oversees any requests by auditors to carry out additional work outwith the external audit. These requests must be made to Audit Strategy in writing and be accompanied by express assurance that the designated Ethics Partner has reviewed the proposed work and does not consider it to pose any threats to the auditors' independence.
60. During the year Audit Strategy has given approval to a small number of such requests, having assessed them against current Ethical Standards and obtaining assurance that the independence of the external auditors would not be compromised. One request was refused on the grounds that public perception of the auditors' independence may have been compromised by the nature of the additional work being considered.

## Respond proportionately to complaints about auditors and audit work

61. Audit Scotland operates a complaints handling process which conforms to the complaint handling procedures set out by the Scottish Public Services Ombudsman. Complaints are systematically analysed, investigated and reported to Management Team and the Board. Three formal complaints were received during the year. Two complaints met our complaints handling criteria and were accepted, and one rejected as it was outwith our complaints handling criteria: following due consideration, none of the valid complaints were upheld. There have been no complaints by audited bodies about the quality of work undertaken by auditors this year. This is an important element of our overall assurance on the quality of auditors' work.



## Consideration of conflicting audit judgements between auditors

62. There have been no conflicting judgements between auditors this year leading to different audit opinions being given. Guidance on key technical matters to inform auditors' judgement has been provided by the Technical Services Unit (TSU). In addition, in the course of the year, there have been regular sectoral meetings and technical forums involving auditors from each of the four sectors where emerging or contentious technical issues were discussed.

## Independent reviews of audits by Audit Strategy

63. Monitoring of the quality of audit provision during 2012/13 has not highlighted any audits requiring an independent review by Audit Strategy. Two specific issues which emerged from events occurring in 2012/13 were reviewed in 2013/14 and recommendations for minor improvements in audit quality were made.

## Performance Audit and Best Value

64. Partner agencies (NAO, NIAO, and WAO) completed reviews of three performance audit reports, namely *Prescribing in general practice in Scotland*, *Scotland's key transport infrastructure projects* and *Management of patients on NHS waiting lists - Audit update*. The findings were positive, with particular emphasis on the clarity of audit judgements and strength of the evidence base to support audit recommendations. Areas for potential improvement included the use of technical language and 'jargon' and the extent to which recommendations were likely to lead to service improvements.
65. During 2013, we reviewed the tools in use for managing performance audits; the basis for our review was the organisation's current emphasis on impact and the implementation of four audit dimensions to focus work across Audit Scotland. These dimensions are a better understanding of financial sustainability, more transparent reporting of financial and other performance, better value for money and improved governance and financial management. Our review covered the documentation used for project appraisal and project briefs and the templates in use, including the one for reporting impact which now reflects the new dimensions above.
66. The consultancy firm, Rocket Science, was asked to review Audit Scotland's arrangements for measuring the impact of its work and provided us with some improvement opportunities which we incorporated into our review. As a result, our new template recognises the benefits of 'telling stories' as an effective way of capturing impact and enriches the information about downloads and media coverage.
67. Six impact reports have been prepared using the new template:
- *Cardiology services*
  - *Commissioning social care*
  - *Commonwealth Games 2014 progress report 2: Planning for the delivery of the XXth Games*
  - *Modernising the planning system*



- *The role of Community Planning Partnerships in economic development*
- *Learning the lessons of public body mergers*

68. As noted at paragraph 55 above, the audit service quality surveys issued to central and local government bodies during 2013/14 included questions on the impact of performance reports. For central government bodies, positive responses were strongly correlated to how relevant each report was to the particular body; of the three reports referred to, the *Managing ICT Contracts* report attracted the most positive responses with 68% of respondents saying it had contributed to improved governance and financial management. Seven reports were mentioned in the local government survey with high positive responses received for the *Local government overview* and *Managing performance: Are you getting it right?* reports (both 88%), *Using cost information to improve performance: Are you getting it right?* (84%), *Managing capital investment in councils* (78%) and *Improving community planning* (73%).
69. The higher positive responses for local government reports reflect the more homogenous sector and the strong impact these reports have had. Average impact scores across the four audit dimensions mentioned previously were 67-86% for local government reports and 32-38% for central government reports - with its more diverse nature, central government impacts were not only weaker than in local government, they were also ranked differently with value for money being rated as the highest area (this was ranked bottom by local government respondents). Many participants provided useful comments on the reports which are being evaluated by the PABV group. In addition, a short survey on the usefulness and impact of the Accounts Commission's How Councils Work series of reports was issued to council leaders, chief executives and chairs of Council Audit Committees to inform the Accounts Commission's 2014 Strategy Seminar. The survey findings are being used to inform the further development of this stream of audit work.
70. During 2013/14 members of the Accounts Commission met with representatives of ten audited bodies following the publication of audit reports as part of our quality feedback arrangements. The meetings focus 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.
71. The consultancy firm, Rocket Science, carried out an independent evaluation of the three early CPP audits which took place in 2012/13. The evaluation found:
- The audits proved timely and valuable, describing the key issues around CPPs in ways which are likely to help CPPs across Scotland to look at themselves and act to enhance both their impact and their ability to describe it
  - Key messages were reported clearly and succinctly and it was useful to draw on the common themes and the wider experience of Audit Scotland (from BV and CPP audits) to produce a National Overview Report
  - The structure and logic of the approach and the methodology have been widely appreciated



- The leadership of the overall audit process attracted praise from all those interviewed, in particular the role played by the manager of the CPP audit process
  - All the wider stakeholders expressed strong support for the process and methodology and felt that the reports would prove valuable in helping CPPs to improve their focus, rigour and performance.
72. Rocket Science also identified a number of areas where refinements and improvements could be made to the CPP audit process. These included:
- Considering the balance of emphasis in the audit on the past, present and future performance of CPPs, given some misgivings expressed by the three early audits about the focus and emphasis of some of the reports and the extent to which they reflected fairly on recent action and improvements
  - Considering what scope there is to simplify and focus the methodology to ensure greater consistency of application across future audits
  - Giving further thought on how best to achieve consistency of approach across different audit teams in relation to the style of engagement with the audited body and interpretation of aspects of the audit methodology
  - Reflecting on how the audit considers and addresses data and attribution given the acknowledged difficulties in linking improved outcomes to partnership working and in particular the leadership of CPP boards and thematic groups.
73. The Accounts Commission and the Auditor General for Scotland considered the Rocket Science report last summer and agreed a joint response to its recommendations. Audit Scotland is taking forward the improvement recommendations as part of the refined audit approach being applied on the five CPP audits that are taking place in 2013/14 (Glasgow, Moray, Falkirk, West Lothian and the Orkney Islands).
74. The CPP audit process was also subject to two internal reviews during 2013/14. The first focused on the quality assurance arrangements that were in place for the first three CPP audits; a report was submitted to Audit Scotland's Audit Committee in May 2013 and two low level recommendations were made to improve the consistency of approach across audit teams, and in particular consistency in recording factual accuracy comments made by CPP partners on draft audit reports. The second review, looking at the consistency of approach adopted for the five CPP audits taking place in 2013/14, reported to the Audit Committee in April 2014 but made no recommendations for improvement.

## Developments in Audit Quality Arrangements

### Audit Services: Developments

75. ASG has a well established framework for delivering audits which complies with relevant auditing standards. In 2013 we streamlined our audit approach in order to reinforce the importance of focus on judgements and professional scepticism and help de-clutter our audits. *Streamlining Audit* training events were held for all ASG staff in 2013 and initially focused on



our approach to audit planning. Over the next year we will extend our streamlined audit approach to other parts of our audit responsibilities. This lean improvement approach was aimed at improving workflow and eliminating waste in the planning and risk assessment process, while maintaining full compliance with relevant auditing standards and meeting stakeholder expectations.

- 76. Our electronic working papers package, MKI, is now well-established across all teams in ASG. Its usage, along with our Audit Guide (updated in January 2014) ensures consistency of working practices across ASG.
- 77. The QMT is continuing to develop its reciprocal arrangements with the other UK audit agencies and worked with the NIAO in the past year on 2012/13 cold reviews. We will be maintaining ongoing dialogue to learn lessons from these arrangements and to explore further development opportunities.
- 78. During 2014 the QMT will review ASG's quality monitoring framework and programme of work to move beyond process to culture and judgements. ASG aims to ensure an appropriate focus and coverage of audit judgements and professional scepticism and will develop training to cover essential auditing skills.

#### **Audit Strategy: Developments**

- 79. Audit quality surveys were revised during the year and Ipsos MORI was involved in making improvements to the survey instrument. PABV re-drafted questions on the impact of specific performance reports in order to obtain more detailed feedback. The results from the CG and LG surveys are presented to Audit Scotland's Management Team and to the Accounts Commission's Financial Audit and Assurance Committee and to the chief executive officers of bodies in each sectors and the auditors, all in the form of summary reports; in addition we prepared a separate report on the impact results for our Impact Group and on the performance reporting results for PABV and made presentations to ASG QMT and to the CG sector meeting in order to disseminate the findings more widely.
- 80. Audit Strategy is trialling a quality scorecard which will gather together the various strands of our quality monitoring activities for each of our audit providers. This project is at an early stage but it is hoped it will provide us with a clear overview of our work and enhance quality assurance.
- 81. We provided a summary of common weaknesses found by the FRC and ICAS in their quality monitoring of audit firms to ASG's PSG which, together with the recommendations made by ICAS from its review of ASG audit work, will help to identify areas for training and guidance in order to improve the quality of audit.
- 82. We revised the Fit and Proper form, a mandatory self-assessment checklist completed annually by ASG staff, and rolled it out to all staff across our organisation. The form covers compliance with our Code of Conduct and other key policies including the Ethical Standards Policy. This development recognises our stated aim to work as one organisation to deliver



excellent audits and will ensure that the highest standards of behaviour are maintained by all staff involved in providing and supporting the audit work carried out by Audit Scotland.

### Performance Audit and Best Value: Developments

83. PABV was created in spring 2013. It brings together the previous BVSI team and PAG into a single larger group with the scale and capacity to deliver high quality, innovative national and local audit work on behalf of the Accounts Commission and Auditor General for Scotland.
84. PABV was fortunate to inherit well-established quality management arrangements that had existed in its predecessor groups. However, the creation of the new group also presented an important opportunity to review the previous arrangements to identify and share best practice and create efficiencies by aligning and streamlining quality processes in the new single group.
85. Work has therefore begun to develop a single framework for managing quality in PABV and this will continue through 2014 with the objective of having one agreed framework in place by the end of the current audit year. This framework will align with the strategic direction for quality management as approved by Audit Scotland's Board and with Audit Scotland's Corporate Quality Framework. IAASB's Framework for Audit Quality referred to in paragraph 24 is relevant to our performance audit, statutory reporting, BV work, CPP audit work and management of correspondence.
86. Four development workstreams were established to support PABV:
  - Leading the Group
  - Who we are
  - What we do and how we do it
  - Managing the business

Part of the objectives of the third workstream is to establish an agreed approach to quality assurance for all PABV products and to develop a common audit management framework and standards for all PABV work. Detailed work on managing audit evidence and making clear audit judgements is also planned within this workstream; these are all important elements of audit quality. The *who we are* workstream includes as part of its activity the development of a Learning and Development Plan for PABV which will involve staff training on quality-related topics such as managing audit evidence, and forming and reporting clear audit judgements.

87. Other development activity will involve concluding the review of the local government BV audit on behalf of the Accounts Commission and implementing any necessary changes and improvements; and continuing the improvement activity and capacity building of the correspondence function within PABV, drawing on the recommendations from the independent review by Ipsos MORI and Queen Margaret University which reported in May 2013. We will also examine workload management in PABV to ensure staff have the time and space to perform their work to the highest standard as well as investing in training and development, including coaching and mentoring, to equip our staff with appropriate skills to deliver high quality work. The review of the local government BV audit is a significant undertaking that will be informed by both the outcomes of the Expectations of Audit project



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and decisions on the future approach to auditing CPPs. Early work has begun on this review including engagement with the Accounts Commission on this topic at their strategy seminar in March 2014 and corporate discussions with Audit Scotland's Assistant Directors' Group.

88. PABV's strategic scrutiny group commissioned a review of the Shared Risk Assessment (SRA) process during 2013 to take stock after four cycles of SRA and in the context of a significantly changed scrutiny landscape and the creation of new national police and fire services. In light of earlier feedback from SOLACE about inconsistencies of approach to the SRA process, the review solicited feedback from a third of local authority chief executives on their experience of the process. Chief executives were supportive of the SRA process, indicating that it has been useful in providing a framework for coordinating engagement between councils and scrutiny bodies and has improved the scheduling of local audit and inspection work. They did however highlight some areas for improvement such as the need for more consistent engagement between local area network (LAN) leads and greater clarity on how SRA judgements are formed.
89. The strategic scrutiny group review also considered the merits and practicalities of extending the SRA process from a local government scrutiny risk assessment into a 'place and partnership' risk assessment and joint scrutiny planning model. The rationale for this was the increased emphasis on 'partnership' and 'place' as key pillars of the Scottish Government's public service reform agenda.
90. As a result of the SRA review and feedback, four focus areas were established for the current SRA process and were communicated to LAN leads and members at this year's training courses.



# Conclusion

91. Overall, the arrangements in place and activity for the year provide assurance that Audit Scotland and the private firms continue to provide the Auditor General and the Accounts Commission with high quality work.
92. In particular, the quality appraisal work carried out by Audit Strategy on the work of the firms and ASG has confirmed that each auditor:
  - understands and complies with the Ethical Standards in force during the course of the audit and is independent of the audited body
  - has the required professional competence to carry out the audit in accordance with relevant standards and the Code of Audit Practice
  - operates in a regulatory environment that actively oversees auditors
  - has delivered audit opinions that can be relied upon
  - delivered timeous reports which have met the needs of a majority of key stakeholders.
93. The audits undertaken by ASG and the firms would therefore satisfy IAASB's definition of a quality audit (as per paragraph 24 above).
94. The report demonstrates that arrangements across Audit Scotland's business groups are continuing to develop, with the aim being to ensure that our quality monitoring framework remains effective.



# Appendix. Quality arrangements

This appendix summarises the quality arrangements in place across the organisation.

## **Audit Services: Quality arrangements**

ASG has had a quality framework in place since 2005, which reflects the corporate quality framework. ASG's framework covers financial audit, ethical and quality standards as required by the FRC. The foundation of ASG's quality framework is the ASG Audit Guide, which incorporates the application of professional auditing, quality and ethical standards together with the Code of Audit Practice, into an audit methodology which is used across all audits in ASG. The Audit Guide is supported by a number of guidance notes on specific issues such as audit testing guidance.

The PSG, which consists of staff members from across ASG and reports directly to ASG's management team, oversees the development of the Audit Guide and the integration of any new standards into ASG's audit approach. The Audit Guide is kept under review and was most recently updated in January 2014.

In addition to complying with the Audit Guide, auditors are required to complete audit engagements using a software tool called MK Insight, an electronic working paper package which allows them to document their work to provide evidence of compliance with relevant auditing standards. The package also incorporates appropriate levels of supervision and management.

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. An updated ISQC1 arrangements questionnaire, describing the quality control and quality monitoring arrangements in place within ASG, was completed and submitted to Audit Scotland's Audit Strategy Group in 2012, in support of its quality appraisal process.

As part of the system of quality control, ISQC1 states that an engagement quality control review, known in ASG as a Peer Review, should be performed for all audits meeting certain criteria. ASG management team has set out the criteria, which include among other things the size of fee, risk, and previous or anticipated qualified opinions on the financial statements.

Peer reviews involve discussion with the appointed auditors, a review of the financial statements and supporting information, and consideration of whether the proposed opinion is appropriate. ASG management team nominate peer reviewers from the assistant directors group to carry out the reviews – peer reviewers have no involvement with the audit in the current or recent financial years, in line with ASG's rotation policy.



ASG operates a rotation policy which complies with the Ethical Standards. The policy is designed to reinforce auditor independence by rotating key senior staff every five years and thus protect against threats to independence such as over-familiarity with management at an audited body. ASG staff must complete an annual fit and proper declaration which covers time spent on particular audits as well as compliance with Audit Scotland's Code of Conduct.

The QMT, which is led by experienced senior staff, works closely with the PSG. Each year the team undertakes 'hot' and 'cold' reviews of audits. Hot reviews are carried out during the live audit process, focusing on judgements and risks, primarily at the planning stage of the audit and ensuring that audits are carried out in accordance with ASG's Audit Guide. Cold reviews are undertaken after the issue of the audit report and cover the same issues, but with additional work which looks more broadly at the wider conduct of the audit including the soundness of the audit opinion and the impact on the public body. A programme of cold reviews has been developed which aims to ensure that all financial audit engagement leads are subject to review over the portfolio appointment period. The QMT reviews enable the team to report on areas for improvement, training needs and good practice.

A programme of external monitoring is also in place, which includes cold reviews of audits, as well as considering compliance with quality control standards. The latest external cold review programme was undertaken by ICAS in January 2014. ICAS's 2014 visit was the second of two agreed in their contract of appointment. We found the external perspective very helpful in both providing assurance and in identifying areas for improvement and will now consider how to maximise the benefit of future external reviews.

For the 2012/13 cold reviews external monitoring continued to include reciprocal review arrangements with the NIAO. These arrangements allowed for one of the audits selected as part of the 2012/13 cold review programme to be subjected to an independent review. In return, two members of the QMT carried out a reciprocal review in the NIAO's offices in Belfast in November 2013.

The work of the PSG and the QMT, along with findings from external monitoring, feed into the annual learning and development plan which incorporates mandatory annual practitioner updates for all ASG staff. These annual update sessions provide training on changes to the Audit Guide and developments in auditing and professional standards. In 2013, ASG undertook a more wide ranging review of its audit approach in which it sought to reinforce the importance of focus on judgements and professional scepticism and help de-clutter our audits. Streamlining Audit training events were held for all ASG staff in 2013 and initially focussed on our approach to audit planning. Over the next year we will extend our streamlined audit approach to other parts of our audit responsibilities.

### **Appointed Firms: Quality arrangements**

At the start of the five year audit cycle in 2011/12, all the appointed audit firms were also required to complete a detailed questionnaire setting out how their quality arrangements complied with ISQC1. As part of this initial process, the firms and ASG submitted details of



their internal quality monitoring activity for the audits which they would carry out under their appointment by the Auditor General for Scotland and the Accounts Commission.

Where firms plan to undertake any non-audit work for the audited bodies to which they have been appointed, they must declare to Audit Strategy that they consider such work permissible under Ethical Standards. Audit Strategy reviews any such assertions and permits non-audit work only where it agrees that the work is consistent with Ethical Standards. This review enhances the independence and ethical conduct of the audits.

During 2013/14 the firms under appointment from the Auditor General and the Accounts Commission completed the following 2012/13 audits:

No of audit appointments: Firm	Central Government	Local Government	Health	Further Education	Total
KPMG LLP	9	9	0	6	24
PWC LLP	10	7	4	0	21
Scott-Moncrieff	1	2	7	7	17
Grant Thornton UK LLP	6	6	0	4	16
Deloitte LLP	1	6	3	0	10
Henderson Loggie	0	0	0	6	6
Wylie & Bisset LLP	0	0	0	6	6
<b>Total</b>	<b>27</b>	<b>30</b>	<b>14</b>	<b>29</b>	<b>100</b>

### Audit Strategy: Quality arrangements

Audit Strategy carries out a quality appraisal function for all financial audits conducted under appointment from the Auditor General for Scotland and the Accounts Commission by the firms and ASG. This work is described in detail in Audit Strategy's Quality Appraisal Framework which was approved in May 2012.

The principal objectives of the quality appraisal work are to:

- Provide assurance to the Auditor General and the Accounts Commission on the quality of audit work undertaken
- Promote improvements and good practices in auditing

Audit Strategy carries out a number of activities in its monitoring role:

- Reviews firms' and ASG's quality arrangements including Transparency reporting by firms



- Reviews external assurance, in particular reports issued by the FRC's AQR team on professional firms as well as monitoring reports produced by ICAS
- Reviews and assesses audit outputs, giving feedback to auditors on examples of good and bad practice
- Issues and reports on audit quality surveys, audited bodies in each sector being asked for their views every two years and findings being relayed to auditors and to the Management Team
- Monitors audit outputs for timeliness and completeness
- Oversees acceptance by firms of non-audit work
- Responds proportionately to complaints about auditors
- Considers the impact of conflicting audit judgements between auditors
- Independently reviews audits

Each of these activities is expanded upon in the 'Results of Quality Assurance Activity' section in the main body of the report.

The IAASB's *A Framework for Audit Quality* highlights the importance of access to high quality technical support. Auditing requires knowledge of a considerable number of technical areas including financial reporting, auditing standards, and legislation. The TSU is a small team of technical specialists who keep financial auditors up to date with developments and provide guidance and assistance on complex areas to inform auditors' judgement and support the exercise of professional scepticism.

None of the measures in place provides absolute assurance for any of the elements of the quality appraisal framework. However, absolute assurance cannot be gained, nor is it an aim of the framework to do so.

### **PABV: Quality arrangements**

The work of the predecessor group, PAG, was focused largely on national performance audit and annual overview reports on NHS and colleges' financial performance, undertaken on behalf of the Accounts Commission or Auditor General for Scotland (or jointly). Well-established arrangements for managing the quality of performance audits were in place within PAG and continue to apply in PABV. These draw on a comprehensive project management framework (PMF) that covers each key stage of a performance audit from project selection, audit design, fieldwork and reporting through to post-audit review and impact assessment. The PMF is supported by the in-house performance audit manual and performance audit standards which comply with INTOSAI standards. A comprehensive library of good practice guidance is also available to staff to support their work.

The work of BVSI group was managed under a BV Quality Assurance Framework which covered the main strands of audit work: the SRA process, BV audit work, audits of CPPs, statutory reports (S102 or S22), local government overview reports, reports in the 'How



Councils Work' series, statutory performance reporting and dealing with correspondence from the public, including MPs and MSPs.

The BVSI quality framework, which continues to apply within PABV, is supported by a range of processes, procedures and guidance, including BV toolkits, which provide guidance and direction for staff carrying out BV audit work. The BV toolkits are also available on the Audit Scotland web site to ensure openness and transparency and help support improvement activity within audited bodies.

Both PAG and BVSI had well-developed arrangements for internal and external peer review and challenge, and made extensive use of independent external evaluation when major new audit developments were introduced e.g. CPP audits. The culture of quality improvement is therefore well-established in PABV with all audit teams carrying out a 'lessons learned' review following the audit work to identify potential improvements to the audit process for future work. These are supplemented by 'reviews of project reviews' where common issues identified in post-project reviews are discussed by the Group along with potential systems-wide improvements and/or solutions.

The Auditor General and the Accounts Commission are the key clients for our reports. Both are involved at the planning and reporting stages of our work to provide input to help ensure that the audits are of a high quality and will meet their needs.

### **Corporate Services: Quality arrangements**

Corporate Services ensure there are effective policies and procedures to support the organisation and to support the quality audits undertaken by Audit Scotland staff. Key policies and procedures are reviewed on a regular basis and approved by Management Team and/or the Board.

All aspects of Corporate Services are subject to internal audit as part of a programme of audit approved by the Audit Committee. Actions for continuous improvement are recommended by the auditors and these are tracked to ensure implementation. External audit confirms that our systems and processes are effective for accurately managing our financial resources in accordance with our operating procedures and legislation.

A style guide supports the audit process by ensuring that all audit reports that are published follow Audit Scotland's brand style. Established procedures cover all aspects of the desk top publication process. Reports are quality checked for accuracy, completeness, grammar and plain English prior to publication. Internal guides set out media processes with media and parliamentary monitoring taking place.

We use the Information Technology Infrastructure Library (ITIL) set of practices for our IT service management which ensures alignment of our IT services with the needs of business. ITIL describes processes, procedures, tasks, and checklists for establishing integration with our strategy, delivering value and maintaining a minimum level of staff competency.

The quality of staff training and development initiatives are evaluated through the completion of a post course questionnaire. The questionnaire evaluates the materials, delivery, clarity and



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trainer performance ensuring that the training and development initiative helps make a difference in the delivery of the daily work of staff.

This year our records management arrangements were evaluated by the Keeper of the Records staff under the requirements of the Public Records Scotland Act 2011. Our records management plan was approved as complying with the Act.



# Glossary

**APB** - The Auditing Practices Board operated under the Financial Reporting Council and was responsible for producing auditing and ethical standards for audit practice in the UK and Northern Ireland. The FRC was restructured in July 2012 and the APB has been replaced by an Audit and Assurance Council.

**AQR** - Audit Quality Review, part of the FRC's audit monitoring activity, responsible for monitoring the audits of all listed and other major public interest entities.

**ASG** - Audit Services Group, part of Audit Scotland with responsibility for carrying out audits of public bodies falling within the remit of the Auditor General and the Accounts Commission.

**BV** - A duty of audited bodies or accountable officers; it is defined in statute for local authorities as continuous improvement in the performance of functions. In securing Best Value local authorities are required to balance issues of quality and cost, have regard to efficiency, effectiveness, economy and the need to meet equal opportunity requirements, and contribute to the achievement of sustainable development. A BV audit is one which examines BV and Community Planning.

**BVSI** - Best Value and Scrutiny Improvement Group, had responsibility for BV, scrutiny co-ordination and overview reports across all sectors. In 2013 BVSI and PAG merged to form PABV group.

**CPP** - Community Planning Partnerships, a process by which councils and other public bodies work together, with local communities, businesses and voluntary groups, to plan and deliver better services and improve the lives of people who live in Scotland. It was given a statutory basis by the Local Government in Scotland Act 2003. PABV conducts audits on the effectiveness of CPPs.

**Ethical Standards** - ethical standards originally set by the APB and applicable to auditors of financial statements. The standards are a set of basic principles and essential procedures together with related guidance in the form of explanatory and other material covering the integrity, objectivity and independence of auditors.

**FRC** - Financial Reporting Council, the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment. It monitors and enforces accounting and auditing standards and oversees the regulatory activities of the professional accountancy bodies and operates independent disciplinary arrangements for public interest cases involving accountants and actuaries.

**IAASB** - The International Audit and Assurance Standards Board which is an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards.



**ICAS** - The Institute of Chartered Accountants of Scotland, the first professional accountancy body, it was established by Royal Charter in 1854. ICAS regulates members and firms.

**INTOSAI** - The International Organisation of Supreme Audit Institutions operates as an umbrella organisation for the external government audit community.

**ISA** - International Standards on Auditing, the professional standards for the performance of financial audit of financial information. ISAs are issued by the International Federation of Accountants (IFAC) through IAASB and are approved for use in the UK, with any necessary adaptations, by the FRC and are referred to as ISAs (UK and Ireland).

**ISQC1** - International Standard on Quality Control 1, the professional standard for quality control, as with the ISAs, issued by IFAC through IAASB and approved for application in the UK by the FRC.

**LAN** - Local Area Network: The SRA process is carried out in each council by the Local Area Network (LAN). The LAN comprises representatives of all the scrutiny bodies who engage with councils. The role of the LAN is to ensure that information and intelligence held by each audit and inspectorate body is shared, enabling external scrutiny to be targeted on the areas of greatest risk.

**NAO** - The National Audit Office is responsible for auditing the accounts of all Westminster led government departments and a wide range of other public sector bodies, and has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

**NIAO** - Northern Ireland Audit Office, responsible for auditing central government and local government in Northern Ireland; it also carries out value for money audits, reporting to the Northern Ireland Assembly.

**PABV** - Performance Audit and Best Value Group, created in June 2013 following the merger of the two business groups PAG and BVSI. PABV has responsibility for developing and delivering a programme of performance, BV and CPP audits along with overview and statutory reports.

**PAG** - Performance Audit Group, had responsibility for carrying out performance audits across the public sector. In 2013 BVSI and PAG merged to form PABV group.

**PSG** - Professional Standards Group, part of Audited Services Group responsible for overseeing the development of the Audit Guide and the integration of new standards into ASG's audit approach.

**QMT** - Quality Monitoring Team, part of Audited Services Group responsible for carrying out internal hot and cold reviews of ASG audit work.

**SCPA** - Scottish Commission for Public Audit, a Parliamentary body which is responsible for scrutinising Audit Scotland's budget, annual report and accounts and for appointing an external auditor.



**SOLACE** - the Society of Local Authority Chief Executives and Senior Managers, tasked with developing a comparative benchmarking framework for Scottish local government.

**SRA** - Shared Risk Assessment, a process involving a joint approach using key information about a body to plan scrutiny activity that is proportionate and based on risk. SRA is undertaken by a joint scrutiny network of senior officers from a range of audit and inspection agencies including Audit Scotland, Education Scotland, The Care Inspectorate, The Scottish Housing Regulator and the appointed auditors, leading to the preparation of an assurance and improvement plan (AIP).

**TSU** - Technical Services Unit, part of Audit Strategy Group, responsible for providing authoritative guidance and practical assistance to external auditors appointed by the Accounts Commission and Auditor General to support them in carrying out their responsibilities under the Code of Audit Practice. TSU's support enhances auditor judgement in technical matters and thereby improves the quality of the audit delivered.

**WAO** - Wales Audit Office, either directly audits Welsh public bodies, such as the Welsh Assembly and the NHS or, as in the case of local government, appoints auditors to do so.



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**ACCOUNTS COMMISSION**

**MEETING 19 JUNE 2014**

**REPORT BY ASSISTANT AUDITOR GENERAL**

**APPOINTMENT OF AUDITORS TO INTEGRATION JOINT BOARDS**

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**Purpose**

1. The purpose of this report is request that the Commission agree provisional appointments of external auditors to the integration joint boards that are being created under the Public Bodies (Joint working) (Scotland) Act 2014.

**Background**

2. Under the Local Government (Scotland) Act 1973 the Accounts Commission is responsible for appointing the external auditors of local government bodies including councils, joint boards and bodies falling within section 106 of the Act such as charities.
3. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) created under the Act to secure joint provision of health and social care services between councils and health boards should be treated as if they were bodies falling within section 106 of the 1973 Act.
4. The 2014 Act allows councils and health boards to choose between three models for integration. A single council and a health board can agree that there should be an IJB for the council area, two or more councils can agree with a health board that there should be an IJB covering the combined area of the councils or a council and a health board can agree to operate under a lead agency model which does not involve the creation of an IJB as a separate entity and instead will be governed by a monitoring committee.
5. The IJBs will formally come into existence for 2015/16 but councils and health boards have been discussing the various models for some time and many are operating in shadow form during 2014/15. Whilst at this point it is not certain how many IJBs there will be we expect the majority of councils to adopt this model. Highland has already been operating the lead agency model and we are awaiting clarification of the position in Orkney and the Western Isles. Two central belt councils are understood to be considering a combined model.

**Appointment of external auditors**

6. Ideally I would not make recommendations to the Commission for the appointment of auditors until each IJB had been formally established but given the long lead time with shadow arrangements it may be helpful for bodies to be able to consult their prospective auditors as they begin to put governance and financial control arrangements in place.
7. The Commission has previously appointed auditors to councils and other bodies for 5 year terms ending with the completion of the 2015/16 audits. Where practicable the auditor appointed to a health board is the same as the auditor of the largest council for that area. The current external auditors of all councils and of the health board covering the council area are shown in Annex 1.
8. For the first year of operation the new IJBs are expected to be relatively straightforward bodies to audit as far as the financial statements are concerned although there may be more audit work in other areas such as governance and performance reporting arrangements.
9. For most IJBs the most straightforward approach appears to be to appoint the relevant council auditor as the auditor of the IJB for one year, so that the appointment ends at the same time as all other appointments. Making these appointments would be compliant with the relevant



procurement rules and terms of existing appointments. The longer term strategy for appointments can then be considered as part of the strategy for the next round of audit appointments which will be developed over the coming year and which will need to take into account possible conflicts such as where a council auditor is also the internal auditor for the health board.

10. If the Commission agrees this approach then offers of appointment will be sent to the relevant auditors who will be asked to confirm that there is no reason why they should not accept appointment. The shadow IJB will then be approached and asked to indicate if there is any reason that the auditor should not be appointed.
11. On completion of both those steps a further report will be brought to the Commission requesting formal confirmation of the appointments.

### **Recommendation**

12. The Commission is asked to approve the provisional appointment of the auditors of each relevant council as the auditor of the IJB for that council area. Where two councils form a single IJB that provisional appointment will be to the auditor of the administering council or, if neither council is undertaking the administration, then the largest council.

**Russell Frith**  
**Assistant Auditor General**  
**4 June 2014**



## Appendix

Local Authority	Local Authority Auditor	Corresponding Health Board Auditor
Aberdeen City Council	ASG	DEL (Grampian HB)
Aberdeenshire Council	DEL	DEL (Grampian HB)
Angus Council	ASG	PWC (Tayside HB)
Argyll and Bute Council	ASG	ASG (Highland HB)
City of Edinburgh Council	ASG	ASG (Lothian HB)
Clackmannanshire Council	DEL	ASG (Forth Valley HB)
Comhairle nan Eilean Siar	SM	PWC (Western Isles HB)
Dumfries and Galloway Council	PWC	PWC (Dumfries & Galloway HB)
Dundee City Council	KPMG	PWC (Tayside HB)
East Ayrshire Council	ASG	ASG (Ayrshire & Arran HB)
East Dunbartonshire Council	ASG	ASG (G Glasgow & Clyde HB)
East Lothian Council	KPMG	ASG (Lothian HB)
East Renfrewshire Council	ASG	ASG (G Glasgow & Clyde HB)
Falkirk Council	ASG	ASG (Forth Valley HB)
Fife Council	ASG	ASG (Fife HB)
Glasgow City Council	ASG	ASG (G Glasgow & Clyde HB)
Highland Council	ASG	ASG (Highland HB)
Inverclyde Council	GT	ASG (G Glasgow & Clyde HB)
Midlothian Council	GT	ASG (Lothian HB)
Moray Council	PWC	DEL (Grampian HB)
North Ayrshire Council	ASG	ASG (Ayrshire & Arran HB)
North Lanarkshire Council	SM	SM (Lanarkshire HB)
Orkney Islands Council	ASG	ASG (Orkney HB)
Perth and Kinross Council	ASG	PWC (Tayside HB)
Renfrewshire Council	ASG	ASG (G Glasgow & Clyde HB)
Scottish Borders Council	KPMG	SM (Borders HB)
Shetland Islands Council	ASG	ASG (Shetland HB)
South Ayrshire Council	ASG	ASG (Ayrshire & Arran HB)
South Lanarkshire Council	PWC	SM (Lanarkshire HB)
Stirling Council	GT	ASG (Forth Valley HB)
West Dunbartonshire Council	ASG	ASG (G Glasgow & Clyde HB)
West Lothian Council	ASG	ASG (Lothian HB)

### **Key:**

**ASG:** Audit Scotland (Audit Services Group)

**DEL:** Deloitte

**GT:** Grant Thornton

**KPMG:** KPMG

**PWC:** PricewaterhouseCoopers

**SM:** Scott Moncrieff