



Auditing economic activities – drinking water supply, sewage and waste disposal

8th EURORAI Congress – 17 October 2013



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1. Introduction

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- Public sector audit in Scotland
 - The role of public bodies in providing drinking water and in sewage and waste disposal
 - Audit experiences and future developments

2. Public sector audit in Scotland

- Audit Scotland provides audit services to:
 - Auditor General – responsible for audit of central government, health and colleges
 - Accounts Commission- responsible for audit of local government
- It has two main business units:
 - Audit Services – undertakes financial audit of annual accounts
 - Performance Audit and Best Value – undertakes examinations of how well funds have been used

3. Public sector audit in Scotland (contd)

- Work is carried out under the Code of Audit Practice:
 - Auditors should be independent with results reported in public
 - Audits should be based on a comprehensive assessment of risks
 - Public audits should be wide in scope reflecting special accountabilities that attach to the use of public money
 - Audits should act as a catalyst to help public bodies improve their performance

4. Drinking water provision and sewage disposal in Scotland

- Scottish Water
 - Public corporation with annual turnover of €1.3 billion
 - Main role is to:
 - Provide clean drinking water to 2.4 million households and 160,000 business premises
 - Take away and treat waste water before returning to the environment
 - Main subsidiary is Scottish Water Solutions Ltd (51% owned)

5. Drinking water provision and sewage disposal in Scotland (contd)

- Water Industry Commission
 - Sets charge caps for water and sewerage services
 - Sets targets and monitors Scottish Water's performance in respect of customer service, running costs and investment efficiency, and leakage
- Drinking Water Quality Regulator
 - Monitors and enforces quality standards for drinking water

6. Drinking water provision and sewage disposal in Scotland (contd)

- Scottish Environment Protection Agency
 - Monitors Scottish Water's discharge of treated waste water to ensure they meet environmental standards
 - Also regulates other activities such as air pollution, waste treatment and disposal etc
 - Annual turnover €80 million, about 50% funded from charging schemes

7. Waste disposal in Scotland

- Mainly delivered by local authorities
 - Regular uplift of household and other waste
 - Operation of recycling centres
 - Operation of landfill sites
- Subject to demanding targets to increase waste recycling
 - 70% of waste to be recycled by 2025
 - Maximum of 5% sent to landfill
- Over €1 billion new investment needed over next 10 years

8. Waste disposal in Scotland (contd)

- Operates through education and persuasion
 - Local awareness campaigns
 - Segregated kerbside waste collections
 - Access to civic amenity sites
- Mainly financed through local taxation

8. Audit experiences and future developments

- Scottish Water
 - Regulatory accounts
 - Effect of welfare reform on bad debt provision
- Full cost recovery of rechargeable services
 - Wide variation in charges set
 - Better information needed about service costs

9. Audit experiences and future developments (contd)

- Some progress towards waste recycling targets but
 - Cost of waste management services increasing
 - Investment in new infrastructure lagging
 - Concerns about partnership working
- Scotland to have increased responsibility for tax raising
 - New Landfill Tax from 2015

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