

# **EURORAI International Seminar**

**Following the Public Pound (FtPP)  
and its links with EURORAI  
guidelines for independent regional  
public sector audit institutions**

**29 April 2016**

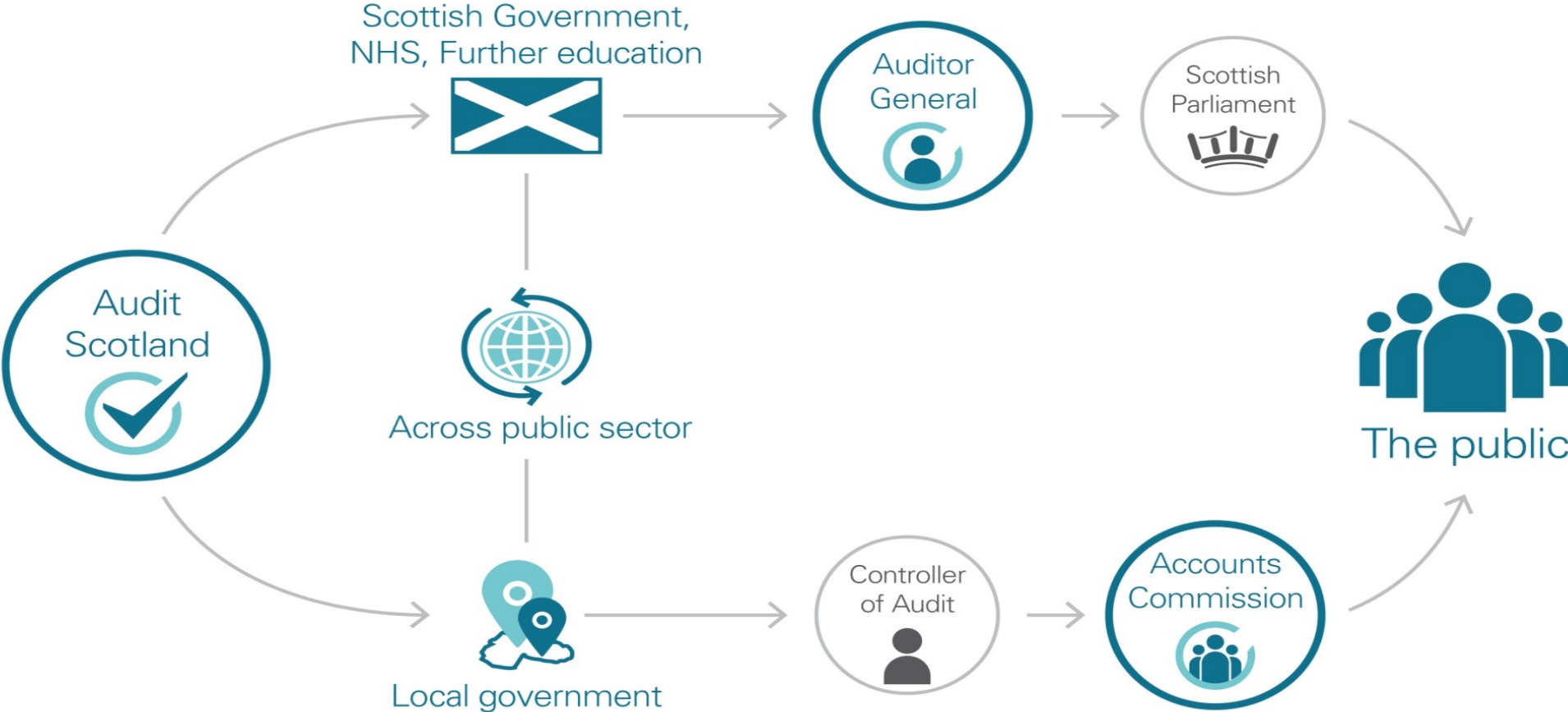


# The presentation

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- Public Audit in Scotland
- What is following the public pound (FtPP)?
- Why is it important?
- Key parts of the FtPP Code
- The scale of external funding
- How the Code informs our audit work
- What have we found in our audits?
- Final thoughts

# Public audit in Scotland



# What is following the public pound?

## 1996 Code of Guidance on Funding External Bodies and Following the Public Pound (the FtPP Code)

*‘a framework for councils’ relationships with bodies through which they seek to carry out some of their functions other than on a straightforward contractual basis. The principles of the guidance apply to companies and other bodies such as trusts or grant aided voluntary organisations both where such bodies are subject to local authority control or influence and where they operate at arm’s length.’*

Accounts Commission for Scotland/Convention of Scottish Local Authorities (CoSLA)

# Why is this important?

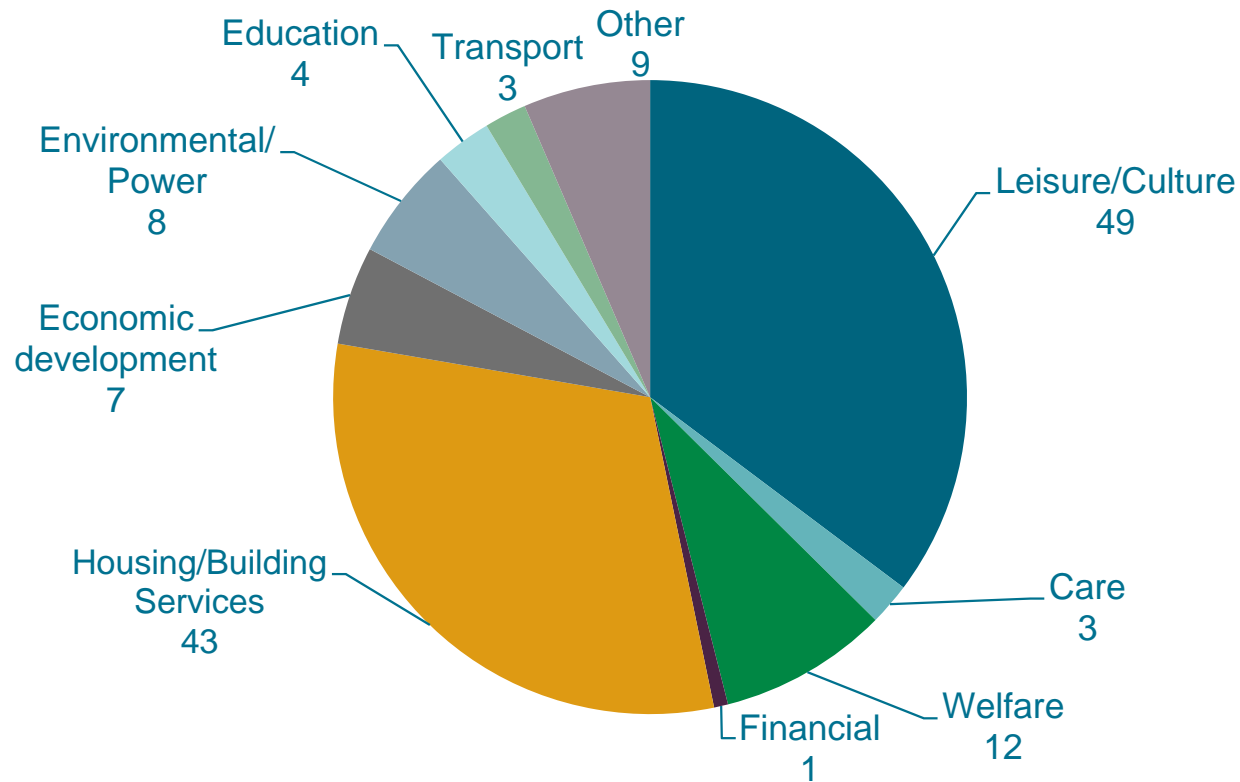
- Increasingly complex patterns of public service delivery:
  - partnerships
  - arms-length external organisations (ALEOs)
  - companies and trusts
- Major leisure, culture, social care and transport services are covered, that impact on large parts of the Scottish population
- Significant sums of money are involved
- Important issues of:
  - public accountability and transparency
  - good governance
  - value for money

# Key parts of the Code

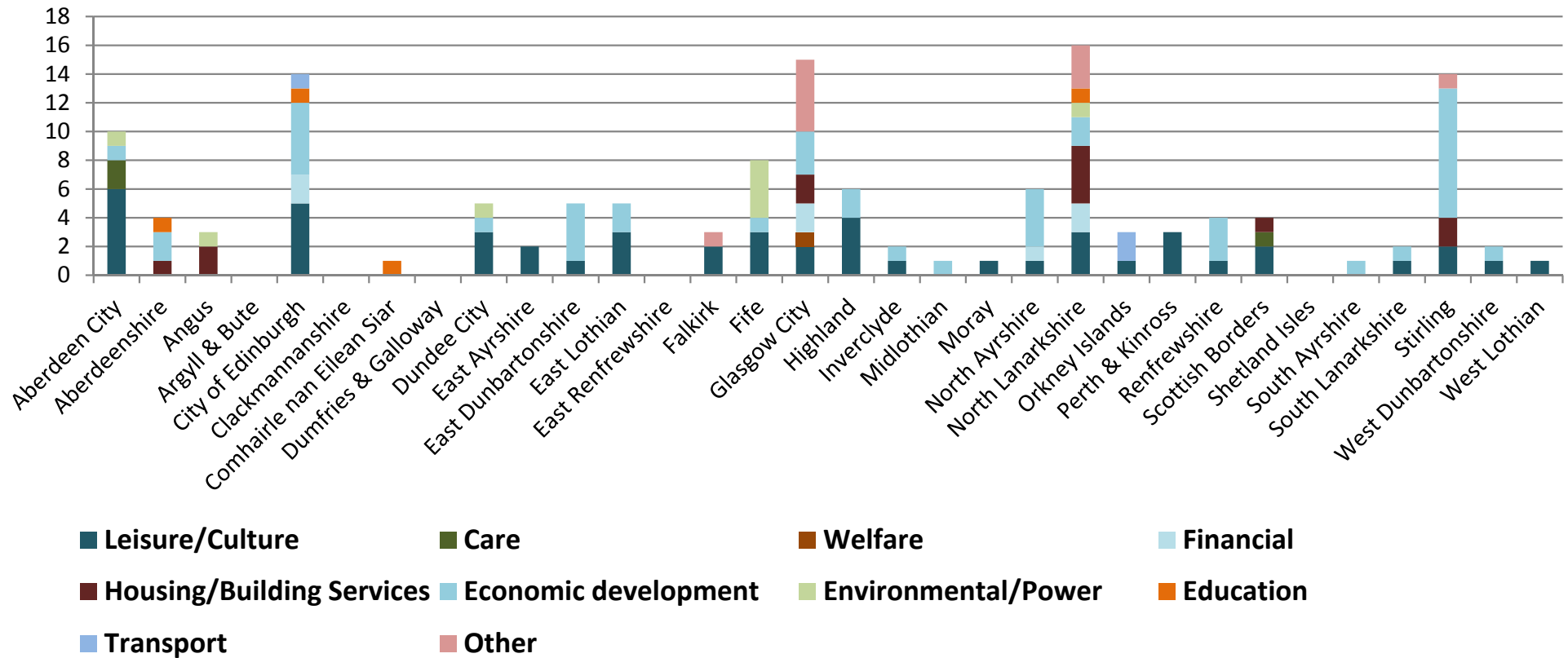
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- Councils need to be clear about why they are using arms-length funding arrangements
- The nature of the relationship and the level and type of funding needs to be clearly specified
- Appropriate financial and performance monitoring and reporting arrangements are needed
- Councils and external auditors must have access to records and data (governance, cost and performance)
- Councils need to consider how they are represented on any arms-length body (knowledge, skills, support, and potential conflicts of interest)
- Councils need to manage cost and performance and have an 'exit' strategy

# Number of council-funded arms-length external organisations (2014/15)

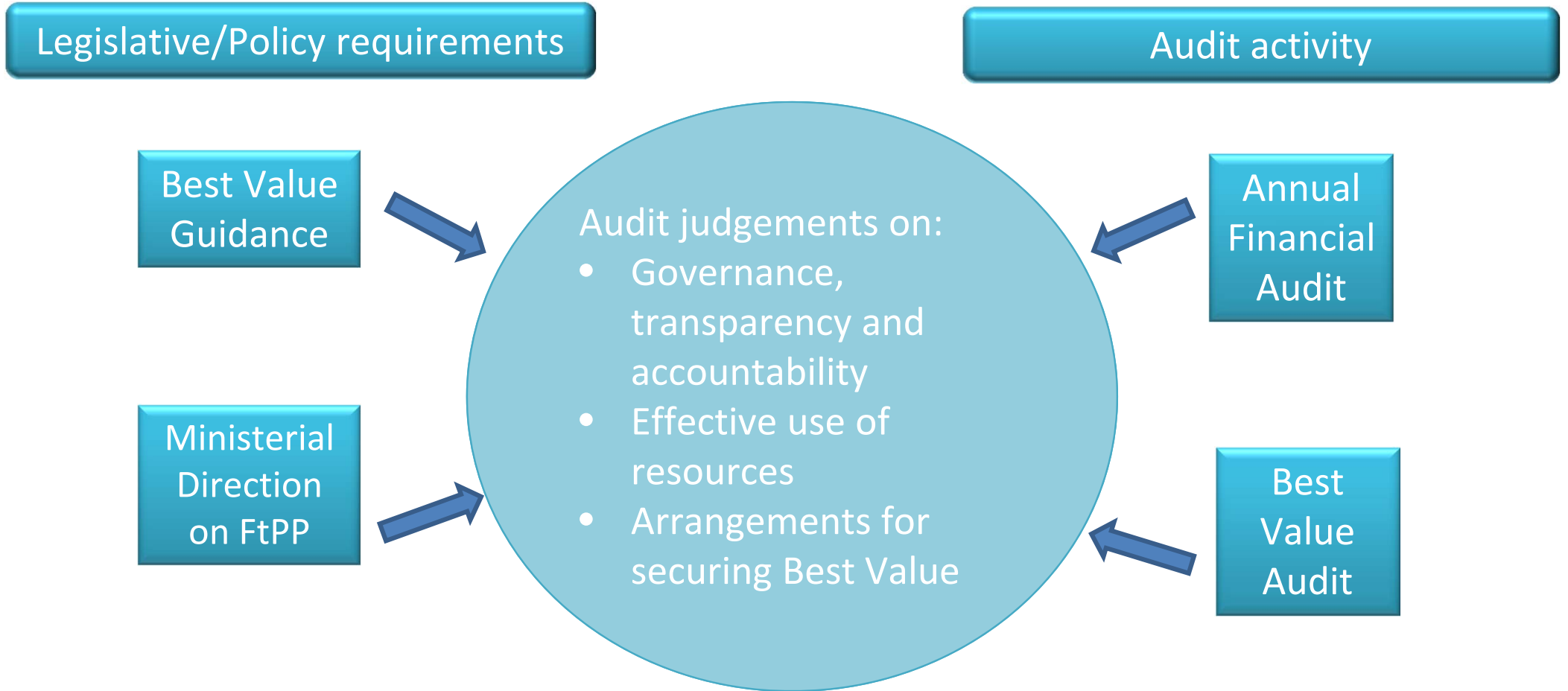


# The range and scale of activity





# How the Code informs our audit work



# What have we found in our audit work?

- This is an important issue for councils and increasingly affects other public bodies (health, police and fire)
- Most councils use formal options appraisals and business cases for ALEOs
- Councils are less good at reviewing ALEO performance and their ongoing need for the services they provide
- Councils need to improve their approach to the governance of, and representation on, any arms-length bodies
- Elected members who sit on external bodies need better training and support
- External auditors generally have good access to the records of externally funded bodies
- Performance reporting to councils (finance, outcomes and value-for-money) needs to be improved

# Final thoughts

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- This is not just an issue for councils
- It is an improving picture, but risks are increasing
- Auditors need to get better at understanding the complexities of new models of service delivery
- Our audit powers have not been challenged yet, but will that happen in the future?

# Thank you

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