

# Independent evaluation of BV2 Pathfinders

Research report for Audit Scotland

June 2010

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# Executive Summary

Ipsos MORI were commissioned by Audit Scotland, on behalf of the Accounts Commission, to conduct an independent review of the Best Value 2 (BV2) Pathfinder audits as part of a wider body of research concerning the implementation of BV2.

## A proportionate and risk based audit

Councils welcomed the proportionate and risk-based approach taken in the BV2 Pathfinders with a number of participants using the phrase 'light touch' to describe the audit.

Several participants thought that the councils should be given more opportunity to engage with the risk assessment process, as it was felt that this would help to make the process more open and allow a greater sense of shared understanding auditors and councils.

In general, it was felt that the risk areas highlighted in the audit were appropriate. However, participants felt that there was a lack of transparency in the process through which the risk areas were selected. There was also a feeling that there should be a greater level of guidance over self-evaluation submissions and clarity over what the audit team expected from it.

Councils found the Internal Risk Assessment (IRAS) document to be useful. However, there was a concern from some participants that the audit teams were drawing conclusions about the council before the audit had begun, rather than simply identifying the risks.

## The performance of the audit teams

Participants commonly spoke favourably about the audit teams, praising their knowledge and professionalism. However, they had mixed views when it came to auditors' knowledge about their *specific* council with a number saying that they had not 'done their homework'.

Some participants were surprised to find that, in their opinion, the general audit approach had not changed greatly from that adopted in BV1. Many participants believed that BV2 would herald a new 'shared understanding' approach between auditors and councils but did not think that this had materialised in the Pathfinders.

Slippages to timescales did occur, particularly in the post fieldwork phases and there were some scheduling problems. But it was commonly acknowledged that BV2 was a new process and participants accepted these issues.

### **Focussing on outcomes and partnerships**

There was some difference of opinion as to whether the BV2 Pathfinders had achieved a greater focus on outcomes. Some participants did feel that the approach Audit Scotland took to outcomes was appropriate while others took the view that the emphasis on management processes was still too great.

Councils felt that there were challenges involved in assessing outcomes to which Audit Scotland should give more consideration. These included assessing councils' direct impact on outcomes and assessing progress on long term outcomes.

A further challenge for BV2 is to consider how to assess partnership working. The concern among Pathfinder councils was that they could be held responsible for the poor performance of their partners which could count against them in the judgements.

A number of participants felt that the audit teams were not sufficiently aware of the political realities in some councils, particularly where minority administrations exist. There was a perception that, as a result, Audit Scotland had unrealistic expectations about the extent to which councils can achieve in terms of outcomes.

### **Citizen focus**

Participants generally felt that the audit teams did take citizens' views into account, typically through survey data. However, there was a perception among some councils and national stakeholders that there had been little change in the consideration of citizens' views in BV2 compared with BV1 and that this was an area for improvement.

### **Peer involvement**

While the majority of councils viewed the introduction of peer auditors favourably, opinion was divided as to whether the implementation of this initiative was successful. The strength of peer involvement was seen to lie in having someone who understands the challenges of local government, an objective 3<sup>rd</sup> party and a mechanism to improve inter-council co-operation.

The main criticism of the introduction of peers was the lack of clarity surrounding the role, felt by both the councils and the peers themselves.

### **Audit reporting**

There was consensus that the reports were a significant improvement over those produced in BV1. However, councils typically commented that the tone of the report was overly negative, and felt that a more balanced approach should be taken to provide a fair reflection of council performance.

Most participants felt that there was a lack of transparency in how the two new BV2 judgements were reached. For example, some felt that the narrative of their report was more positive than the judgements, while others would have liked to have seen more evidence of how the judgements were reached.

While most participants were content with the opportunities they had to discuss their draft report with the audit team, some were unhappy that the report went to the Quality and Review Panel before they had the chance to correct any factual inaccuracies.

### **Support for improvement and the sharing of best practice**

Participants were generally in favour of Audit Scotland playing a role in supporting improvement and sharing best practice. However, a minority felt this would not be appropriate.

# 1 Introduction

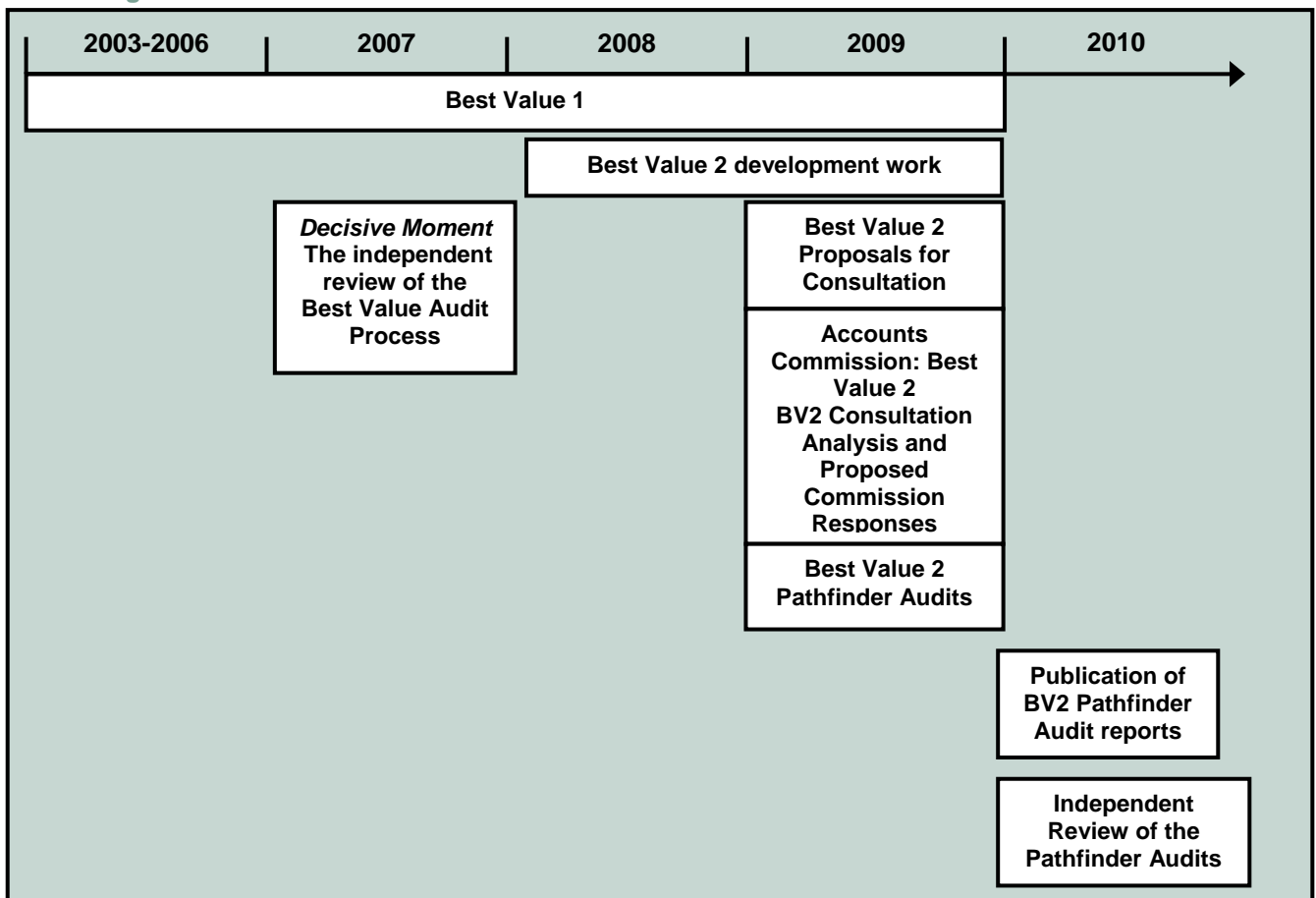
This report presents the findings of the independent evaluation of the Best Value 2 (BV2) Pathfinder audits, part of the Accounts Commission and Audit Scotland's wider review of the implementation of BV2 to date. The evaluation was undertaken by Ipsos MORI. The findings from this research will help to inform Audit Scotland's consideration of how the BV2 process might be refined based on the lessons learnt from the Pathfinder process.

This opening chapter provides some background information about the development of BV2 and the Pathfinder audits, before setting out the aims of the evaluation and the methodological approach adopted.

## The development of Best Value 2 (BV2)

The Accounts Commission has developed BV2 in light of the evaluation it conducted after the first rounds of BV audits, consultation it has conducted with key stakeholders, legislative requirements and wider developments in local government and the scrutiny landscape in Scotland. Figure 1.1 below sets out the key milestones in its development.

Figure 1.1: BV2 timeline



The Local Government in Scotland Act 2003 placed a legal duty of continuous improvement on local authorities (removing the voluntary duty of Best Value that had hitherto existed) and also led to the introduction of community planning on a statutory basis. In response to the Act, the Accounts Commission introduced a programme of Best Value audits (BV1), bringing a new form of accountability to Scottish councils.

In 2007, when audit reports for around half of Scottish councils had been published, the Accounts Commission launched an independent review of BV1 to evaluate its impact and effectiveness and to identify changes that might be needed in the second round of audits. The overall conclusions of the review report (*'Decisive Moment'*<sup>1</sup>) were that the audit was well-established and credible and had been effective in broad terms. However, it also identified a number of areas where the audit approach could be strengthened. In particular, the review suggested the need for a stronger outcome and citizen focus in the audit, together with a greater emphasis on supporting continuous improvement. It also raised issues of consistency and transparency between audits and the need for better coverage of service performance.

On the basis of these findings, the Accounts Commission began developing a set of principles to underpin the Best Value improvement process and the design of the second round of best value audits (BV2). These principles are set out in figure 1.2 below.

**Figure 1.2: BV2 principles**

- a focus on outcomes as well as performance management processes
- an emphasis on the effectiveness of partnership working
- improved coverage of service performance and the use of resources
- a proportionate and risk-based approach founded on self-assessment
- clear audit reporting and transparency of audit process
- support for improvement and the sharing of good practice

Source: Audit Scotland

In late 2007 and early 2008 the Accounts Commission consulted with councils, consumer organisations, the Scottish Government and other key stakeholders on its proposals for BV2, using the principles set out above as a basis for dialogue around potential improvements for implementation in the BV2 process. The feedback it

received informed the development of a Best Value 2 improvement plan, the main elements of which are set out in figure 1.3 below.

**Figure 1.3: BV2 improvement plan**

- developing a single corporate assessment framework for local government
- delivering a proportionate and risk-based audit
- developing transparent and robust audit tools
- forming clear judgements about local authority performance
- delivering a well organised BV2 audit with effective internal governance and accountability arrangements
- developing proposals for peer involvement in BV2
- auditing community leadership and partnership performance
- strengthening service performance and use of resource reporting
- delivering a more citizen focused audit
- identifying and sharing good practice
- developing more citizen friendly BV reporting.

Source: Audit Scotland

BV2 has been designed to take account of changes in the public service delivery landscape in Scotland such as the introduction of Single Outcome Agreements and the scrutiny reform agenda following publication of the Crerar report<sup>2</sup>. Indeed, the Accounts Commission has expressed its commitment to “ensuring that BV2 will play an important role in improving public services and streamlining the scrutiny of those services”<sup>3</sup>. An example of how these developments have materially impacted on the development of BV2 is in the Accounts Commission’s intention to design a more focussed and risk based approach; this flows in part from the conclusions of the Crerar review.

The development of BV2 also coincided with changes to the assessment of local public services in England where Comprehensive Performance Assessments (CPA) and associated individual sector assessments and/or inspections were brought together with the Comprehensive Area Assessment (CAA)<sup>4</sup>. The CAA model examined how effectively local public services (including those provided by councils, the fire service,

<sup>1</sup> Grace, C., Nutley, S., Downe, J. and Martin, S. (2007), *Decisive Moment: The independent review of the Best Value Audit*. Edinburgh University Press: Edinburgh

<sup>2</sup> The Crerar review. The report of the independent review of regulation, audit, inspection and complaints handling of public services in Scotland. The Scottish Government, September 2007.

<sup>3</sup> Audit Scotland (2009) *Best Value 2: Proposals for consultation*. Edinburgh: Audit Scotland.

<sup>4</sup> The new UK coalition government, elected in May 2010, has opted to abolish CAA.

the police and the NHS) were performing individually and how well they were working together to meet the needs of the people they serve. It was a *joint* assessment made by all local services inspectorates, with the report focusing on 'place' and what it is like to live in a particular area, underpinned by individual service assessments (council, police, fire, NHS).

The Accounts Commission closely monitored the development and implementation of the CAA model and has committed to considering after the Pathfinder audit process, whether, and if so how quickly, BV2 should move towards more of a CAA-style assessment of how public bodies work in partnership to deliver outcomes for a local area.

Of course, alongside developments in the English system, another factor that will have an important bearing on debates around the future of public sector auditing in Scotland is the current economic recession and predicted associated public sector spending cuts. Increasingly councils and their partners are expressing concern about their capacity to continue providing services at current levels and to deliver on their statutory duty of continuous improvement. At the same time, there is an emerging consensus that the situation demands a radical rethink of the role of local authorities and traditional models of service delivery. The implications of these developments in auditing terms is likely to become an increasingly important consideration for the Accounts Commission and Audit Scotland as BV2 is rolled out across Scotland. The challenge for the Accounts Commission is to provide a robust consistent approach to BV2 which is sufficiently flexible to take account of the financial constraints which authorities face and provide sound judgements on performance accordingly.

## The Pathfinder audits and the BV2 process

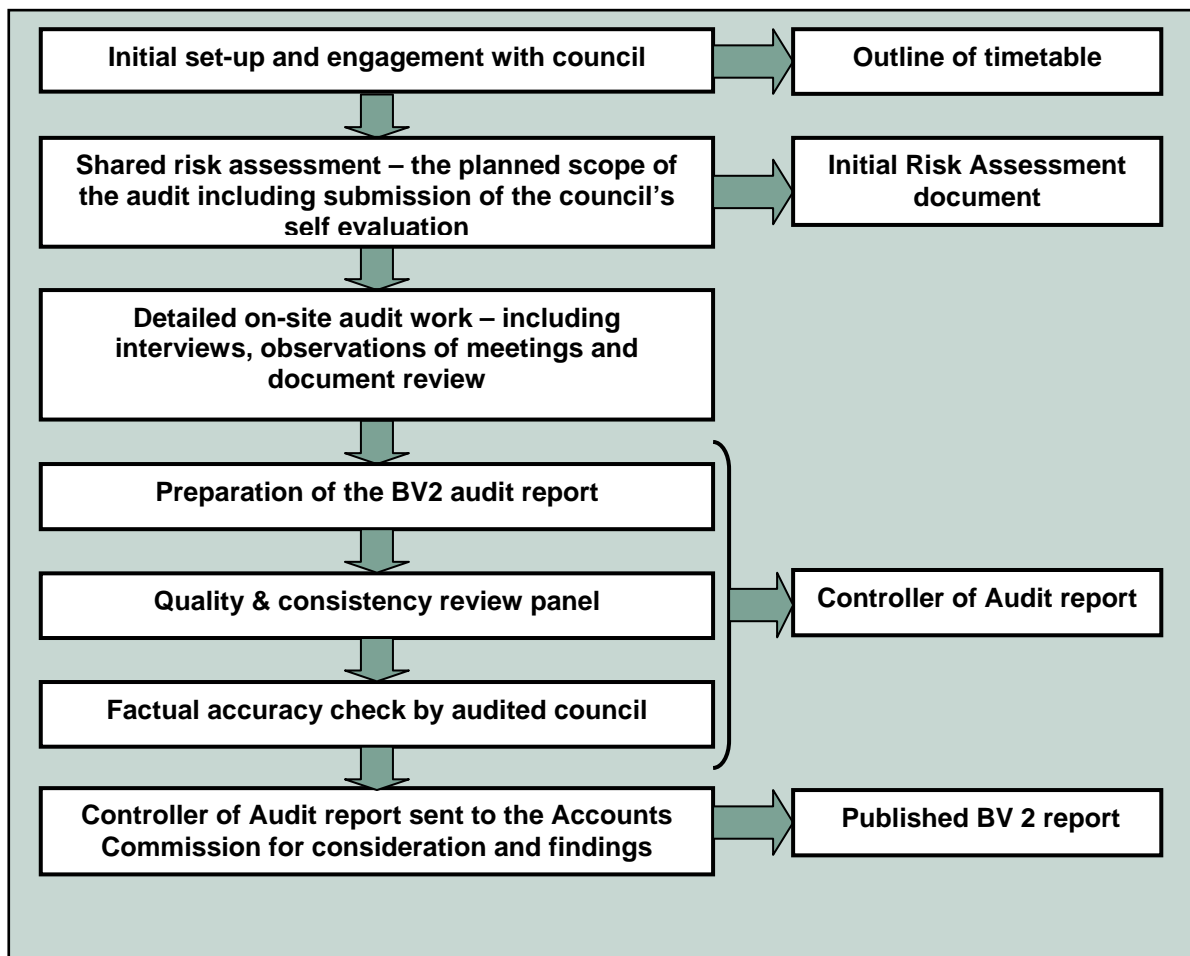
In spring 2009, the Accounts Commission set about testing its proposals for BV2 through undertaking five Pathfinder audits. The councils chosen for the Pathfinder audits were:

- Angus Council
- Dundee City Council
- East Ayrshire Council
- Scottish Borders Council
- The Highland Council

These councils were selected on the basis of being broadly representative of all local authority areas in Scotland, in terms of their size, socio-demographic profile and geographical location.

The key elements of the Pathfinder audit process are summarised in figure 1.4 below.

Figure 1.4: key elements of the Pathfinder BV2 audit process



As shown in figure 1.4 the BV2 Pathfinder audit process started with a Shared Risk Assessment (SRA) for each Pathfinder council involving all local government scrutiny partners, with the aim of ensuring that the audit was proportionate and risk based, and well targeted. The SRA process has now been rolled out across all 32 Scottish local authorities. However, in light of lessons learned through the Pathfinder experience and the application of the initial SRA model at two SRA development sites, the approach was refined with a view to introducing: more opportunities for council input at key stages; a greater focus on outcomes; and more clarity around Audit Scotland and its partners' expectations in relation to self assessment. This is dealt with in more detail later in this report.

## The evaluation

In late 2009, Audit Scotland initiated an evaluation of the BV2 Pathfinder audits. As part of this review, it commissioned Ipsos MORI to evaluate aspects of the effectiveness of the audits from the point of view of the Pathfinder councils themselves, as well as key national stakeholders and the Pathfinder audit teams.

The overall objective of the evaluation was to assess the extent to which the BV2 audit approach adopted in the five Pathfinder councils reflected the Accounts Commission's principles for BV2 and the improvement objectives set out in the Best Value 2 improvement plan (figure 1.2 and 1.3, above).

### 1.1.1 Methodology

The evaluation was conducted primarily through depth interviews with chief executives, senior officers and elected members in the Pathfinder councils, as well as peer auditors and key national stakeholders. Most of the interviews were conducted face-to-face, with the remainder undertaken by telephone. All fieldwork was carried out between January and March 2010.

In addition to the interviews, a workshop was held with members of the Pathfinder BV2 audit teams.

### 1.1.2 Topic guides

The interviews and workshop were structured around topic guides designed by Ipsos MORI in consultation with Audit Scotland. The content of the guides varied slightly depending on the role of participants in the audit process. However, all versions addressed a common set of themes. These included:

- overall perceptions of the Pathfinder audit process
- views of the SRA process, including the role of self-evaluation
- the extent to which the audits were well organised
- the extent to which the audits were transparent
- whether the audits were more outcome focused than BV1
- whether the audits were more citizen focused than BV1
- the extent to which the audits delivered a clear assessment of partnership working
- the extent to which the audits delivered a more rounded assessment of service performance than BV1
- perceptions of the audit teams, including the peer auditor role
- perceptions of the audit reports, including the two new judgements: 'direction and of change' and 'capacity for improvement'
- potential improvements to BV2

Copies of all versions of the topic guides used during the course of the evaluation are provided in appendix A.

### 1.1.3 Structure of the report

The following chapter sets out the main findings from the evaluation, structured around the key themes of BV2. Based on these findings we then outline the key recommendations for enhancing BV2 in terms of both immediate changes and longer term areas for consideration.

### Acknowledgements

Ipsos MORI would like to thank all of the council staff, national stakeholders and the members of the Audit Scotland teams who gave up their time to take part in the evaluation.

## 2 Key findings

### Introduction

In this section we set out the key findings from the evaluation. We have included verbatim comments from interviews to help illustrate and highlight key points that were made by participants. The section is structured around the following themes:

- the extent to which the Pathfinder audits were proportionate and risk-based
- the performance of the audit teams, including how well the audits were organised
- the focus on outcomes and partnership working
- the extent to which the audits were citizen-focussed
- peer involvement in the audit
- audit reporting
- supporting improvement and sharing best practice

### A proportionate and risk based audit

Consistent with the findings from the Accounts Commission's consultation on BV2, Pathfinder councils and stakeholders broadly welcomed the aspiration to adopt a more proportionate and risk-based approach to the BV2 audit. They were also supportive of the focus on self-evaluation evidence in identifying risk areas and commented that this reflected the drive within their councils to embed self-evaluation mechanisms. Furthermore, most welcomed the development of the SRA as a single corporate assessment tool to be used by all the main local government scrutiny partners in the future.

#### 2.1.1 The Shared Risk Assessment process

Encouragingly, there was a broad consensus among participants that the audits focussed appropriately on risk areas as a result of the SRAs (see section 2.2.3 below). That said, views of the SRA *process* were less consistently positive. Several participants commented that there was a lack of transparency in the process, particularly in terms of the procedures involved, and how decisions on risk areas were reached by the scrutiny partners. They therefore felt unable to comment on the extent to which the SRAs heralded a more joined-up approach to scrutiny planning. However,

a few people did feel that joined-up working probably had been achieved as their audit had not focused on areas that had recently been scrutinised by other inspection bodies.

Participants generally felt that their self-evaluation had influenced the SRA discussions, commenting that the areas of risk identified by the scrutiny partners very much mirrored what they themselves had identified as their main weaknesses. This provided these participants with reassurance both that their submissions had been appropriately reviewed and that they had a relatively good level of self-awareness.

However, several participants felt that councils should be given more opportunities to inform and engage in the SRA process. More specifically, participants in two of the councils felt that they should have been invited to take part in the SRA round table discussion so that they were able to influence directly the course of discussions surrounding the identification of risk areas.

**“Its supposed to be all about improvement and working together [...] I still can't see why the Council can't sit down as part of this process [...] would it not be a nice mature way to do business. We've already at that point identified the areas of weakness where we think we can improve so it's not as if we're saying we're really wonderful and everything is perfect.”**

Participants in another council commented that they would have liked to receive feedback on the deliberations of the scrutiny partners, as well as an opportunity to comment on those deliberations, *before* the draft IRAS document was produced.

Underpinning both of these perspectives was a view that councils could make an important contribution to the SRA in light of the increasing focus in local authorities on developing effective self-evaluation mechanisms. More generally, it was suggested that greater council engagement in the process would help to ensure that BV2 is truly open and would promote the development of a shared understanding of risk areas between councils, Audit Scotland and scrutiny bodies.

Beyond such views, one council participant suggested that the range of bodies involved in the SRA process should be extended to include the Equalities and Human Rights Commission (EHRC) and the Scottish Environmental Protection Agency (SEPA) to reflect the growing importance of equalities and sustainability in the local

government context and to ensure that these areas are given appropriate attention during the SRAs.

It is worth noting that the SRA process was still very much in development during the Pathfinder audits which may partly have affected Pathfinder councils' perceptions of the process. Since the Pathfinder audits, the SRA process has been refined with a view to providing more opportunities for councils to feed into the process, including the development of the IRAS document. These opportunities are set out in the SRA guidance notes. Ipsos MORI will be conducting a separate evaluation of the SRA process later in 2010, once it has been rolled out to the remaining authorities.

### **2.1.2 A focus on self-evaluation**

As noted in the previous section, participants generally felt that their self-evaluation evidence had been appropriately considered during the SRA process and felt reassured by this.

However, most participants felt that the guidance issued by Audit Scotland in respect of self evaluation could be improved. They felt that the guidance needs to be more detailed and provide more clarity in terms of Audit Scotland's expectations of self-evaluation material to help councils better understand how it will be used to inform the risk assessment process and deliver more proportionate scrutiny. A few also pointed out that the page limit suggested in the guidance for briefing notes setting out council's current self evaluation arrangements and directing the audit teams to existing primary self evaluation material was too restrictive - though it was acknowledged that Audit Scotland was flexible in relation to the size and scale of self-evaluation material that they were willing to consider.

### **2.1.3 Initial Risk Assessments**

Participants generally agreed that the IRAS document produced at the end of the SRA process was useful in providing clarity on the specific areas the audit would focus on and enabled councils to prepare accordingly. A number of participants also felt that the IRAS document was useful in providing a common reference point for councils and the auditors, which fostered a sense of shared understanding of the purpose of the Pathfinder audits.

However, there was a perception among a few participants that the IRAS document went beyond identifying risk areas and appeared to draw conclusions about how the council was performing in these areas. Although these participants acknowledged that

the audit team had amended the IRAS document to address these issues, there was a concern that the examination of previous inspection reports might lead to scrutiny partners “prejudging” the council before the actual audit work.

#### 2.1.4 A risk based approach

As noted above, there was a broad consensus among participants that the audits focussed appropriately on risk areas identified through the SRAs. However, one of the Pathfinder councils was surprised and annoyed by the fact that their audit took place against a backdrop of ministerially-directed inspection work. They had anticipated that the whole purpose of the audit was to determine the shape of all subsequent scrutiny activity and therefore did not expect to be subject to any scrutiny activity *while* the audit was being carried out. In another council, participants suggested that, although the main focus of their audit was indeed on areas of risk, the auditors still appeared to be trying to reach conclusions about the *overall* leadership, management and service performance achieved by the Council. The participants concerned questioned how accurate those conclusions could be when the primary focus of the detailed audit work was on a limited number of risk areas.

#### 2.1.5 A more proportionate approach

Reflecting the consensus that BV2 was more risk-based, participants broadly agreed that the audit work within councils was more proportionate, with several participants describing it as “light touch”. Compared with their experiences of BV1, participants felt that the on-site period was shorter, and that the audit teams requested less documentation and were more proactive in sourcing materials through the council websites and intranets. Participants felt that, overall, this had the positive effect of reducing the burden placed on councils and was very much an improvement on the first round of BV audits.

Despite these very positive findings, one participant felt that there was a degree of tension between adopting a more proportionate approach to audit and ensuring that risk areas are thoroughly scrutinised. While this participant welcomed the more proportionate audit, they also highlighted challenges this brings in terms of ensuring the evidence base for assessing performance is sufficiently robust.

### The performance of the audit teams

The *Decisive Moment* review raised concerns in relation to the consistency of both the quality of the BV audit teams and the levels of organisation during the BV1 audit

process, including keeping to agreed timetables. It was for this reason that in the BV2 consultation document, the Accounts Commission highlighted delivering a well-organised BV2 audit with effective internal governance and accountability arrangements as a key area for improvement.

### 2.1.6 The audit teams

Participants in the research typically spoke in very positive terms about the audit teams. They felt that the teams had greater credibility than in BV1 and appeared to be more knowledgeable and professional.

Participants noted that some of the Pathfinder audit team members had experience of working in local government. Councils considered this beneficial because it gave the teams a better understanding of the general local government context, including the complexities surrounding governance and the role of elected members. Opinions around auditors' knowledge of their *specific* council were more divided, however. Although some participants praised auditors for having 'done their homework', others felt that the team could have done more to ensure they had the requisite background knowledge, particularly concerning recent developments at the council.

Councils spoke favourably of the communication between the auditors and themselves. The audit teams were seen to be upfront and honest in their communication, particularly during the on-site period. Several participants praised the auditors for providing them with clear communication about which officials they would be speaking with, the reason behind this and the broad topics that would be covered in these discussions. This led to a perception that the on-site period was "perfectly transparent". Participants also felt that the auditors were open to challenge from councils at different points in the audit process.

**"I think good communication was the main strength actually, because of the discussions there had been about the changes, there were no surprises really in how the audit shaped up, because of the good communication we were kept fully informed of the process that we were going through."**

The continuity of the audit teams from BV1 to BV2 was also seen as a strength of the Pathfinder audits. Participants felt that the auditors' familiarity with the area, and the workings of the council, meant that they could reach a deeper level of understanding during the detailed audit work.

**“I felt quite comforted by the fact it wasn’t a brand new audit team that were coming in. So that was good and the fact that there were no surprises.”**

### 2.1.7 ‘Audit culture’

Despite these positive comments about the quality and professionalism of the audit teams, there was a sense in which participants were surprised and, in some cases disappointed, that the general approach taken to audit in the Pathfinders was not more radically different to what had gone before. Participants in one council commented that BV2 was supposed to herald a new approach to scrutiny characterised by “reflexivity” – on the part of both councils and Audit Scotland – and the development of shared understanding, but that in the Pathfinders it was very much a case of “business as usual”, with the audit being something that was “done to” councils by auditors. They felt this was evident in the lack of council involvement in the SRA discussions and in the interviewing style adopted by auditors which they saw as designed to coax councils into revealing things that they might otherwise not. Such aspects of the process, it was felt, serve as a barrier to the development of greater mutual respect, trust and understanding between councils and auditors.

**“There is a real tension I think between how audit by Audit Scotland has traditionally been carried out and what the new process is about [...] They are still using all their traditional audit tools where they observe, they do desk work, assess your quantitative performance. That’s what they’re comfortable with, that’s where their skills are. The whole thing about moving to better self-awareness and having reflexive models is a learning process but it’s also one for them and I don’t know if they are comfortable with that.”**

### 2.1.8 Organising the audits

In contrast with the findings from *Decisive Moment*, participants from the Pathfinder councils generally expressed satisfaction with the organisation and scheduling of the audits. However, there was agreement that the process in its entirety was too protracted. In some cases, the audit took nearly a year to complete and this caused considerable bemusement among the councils concerned.

**“I think they were out of [the council] at the end of [the month] and it was [three months] until we got a report. We did get verbal feedback from them, but until we got a bit of paper, that’s a long time.”**

Although timescales during the detailed on-site audit work were generally viewed favourably, there was repeated reference to slippages, particularly in the post-fieldwork stages of the audit process. A minority of participants expressed a view that, while Audit Scotland took a long time to complete certain parts of the process, the councils were held to much shorter deadlines without a great deal of flexibility. Others commented that there was a lack of clarity surrounding why the post fieldwork stages were sometimes subject to delays and timetable changes.

There was general satisfaction with the scheduling of the audit but two councils highlighted issues that caused them concern. The first described how the auditors had not observed all of the committee meetings which they had initially indicated as being of interest to them. In the other council, one participant noted that the auditors had to reschedule a number of meetings with senior officials before and after the on-site audit, which caused a degree of inconvenience. Despite these criticisms, participants commonly acknowledged that the Pathfinders were a learning process for both themselves and the auditors and it was inevitable that Audit Scotland would still be “finding their feet” to some degree.

## Focussing on outcomes and partnerships

### 2.1.9 Overview

The emphasis on outcomes in BV2 has been driven by two main developments. Firstly, the *Decisive Moment* review which was critical of the “strong managerial focus of Best value audit (BVA) reports” (p8) and suggested that the future development of BVAs should include a “greater emphasis on corporate outcomes”(p.9). Secondly, and more recently, the Concordat and the subsequent move towards Single Outcome Agreements, under which councils and their partners are committed to supporting the achievement of Scottish Government objectives through progress on outcomes at the local level. In its BV2 consultation document, the Accounts Commission set out its intention to develop an approach to assessing how councils are achieving local and national outcomes, drawing on evidence from councils themselves and other scrutiny bodies<sup>5</sup>.

Participants in the evaluation were overwhelmingly in favour of the principle of focusing on outcomes as well as corporate management processes. National stakeholders in particular commented that it would help to mitigate against the problem, evident in BV1, of councils receiving negative judgements because of poor management practice, despite performing well in terms of delivering improvements to their area.

However, there were some differences of opinion over whether there had been an appropriate balance of focus between outcomes and processes in the Pathfinder audits. While most council representatives seemed content with the approach that had been taken, others took the view that the emphasis is still too much on process issues such as governance.

**“I still don’t know if there is enough emphasis on service outcomes. They said that they wouldn’t take corporate governance into account; they still do when you read the report. There are still things about councillors and how they should operate and all the rest of it. We are in the business of delivering services and I think it’s right that it measures the services.”**

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<sup>5</sup> Important to note that because SOAs still at an early stage AC had no intention to Audit the delivery of SOAs in the near future. Rather, in the short term, auditors will review the management arrangements for SOAs in councils.

The challenge presented to Audit Scotland in auditing outcomes can be viewed in a number of ways: the new political reality in many councils which can make outcomes difficult to agree; the difficulty in measuring cause and affect in auditing outcomes; the challenge of long term outcomes; and untangling partnership working in measuring outcomes. These issues are explored below.

### 2.1.10 The political dimension

Some of the Pathfinder councils felt that the Accounts Commission and Audit Scotland have unrealistic expectations around the extent to which a council leadership can influence everything that happens in their authority.

The political landscape in Scottish councils changed markedly after the local government elections of 2007. Long-standing political structures in many councils, including four of the five Pathfinders, were replaced with new administrations or coalitions, which were sometimes inexperienced in running councils. This has necessitated the need for senior officers and elected members to forge new relationships and find new ways of working in many councils. This has not always gone entirely smoothly and some Pathfinder councils have experienced a degree of tension and difficulty as these new structures emerge. These tensions can affect progress towards achieving desired outcomes.

All of this presented challenges for the audit teams embarking on BV2 Pathfinders who were faced with a series of different political realities than those they experienced during BV1. In preparation for the Pathfinders, Audit Scotland had appointed peer auditors from other authorities, primarily to help guide auditors through complex political situations (see section 2.6).

A number of participants in the evaluation clearly felt that, despite the presence of peer auditors, the audit teams were not always sufficiently aware of how the political reality in some councils manifests, for example:

- political 'game-playing'
- political parties not being able to reach agreements
- senior officers experiencing difficulties controlling the actions of elected members

In one council it was acknowledged that the audit team did highlight the political confrontations that were evident, but it was felt that they did not appreciate that this

was inevitable to a certain extent due to the political tactics employed by the different parties. In several of the councils, participants felt that the audit team had unrealistically high and “naïve” expectations around the extent to which officers and elected members can always reach agreement.

**“You cannot eliminate the politics; auditors might like to do that but the reality is you will not be able to do that and I think I have a difference of opinion with the auditors on that. They think we go round and see other councils and they say be friendly and all the rest of it. Well on the surface they can, but that’s often because there is tactics involved, that involve politics and what you’re seeing on the surface doesn’t explain what these political groups are deciding behind closed doors as their tactic or strategy. It’s about power.”**

This view was echoed in another Pathfinder which faced great challenges in coping with their new political reality. In this case it was felt that the audit teams needed to be more in tune with the difficulties for elected members and senior officials in running minority administrations. It was felt that the BV2 report had been critical of the member/officer relationships without being sufficiently accepting of the difficulties faced and without acknowledging the efforts made to resolve these tensions while maintaining the strong performance of the council.

### **2.1.11 The challenge of measuring outcomes**

Participants from all of the Pathfinder councils referred to challenges involved in assessing outcomes; challenges to which they felt the Accounts Commission and Audit Scotland should give greater consideration before BV2 is rolled out across the remaining authorities.

First, there were references to the fact that it can be difficult to measure the *direct* impact of council activity (or inactivity) on outcomes as there are other, extraneous factors that can have an important bearing on progress; in particular, the current economic situation which has made it more difficult for councils to meet their targets in respect of a number of outcomes, not least those relating to economic development.

Second, several participants pointed to the challenges involved in assessing progress on long term outcomes, such as reducing health inequalities and increasing life expectancy, which may take several decades to materialise. While participants recognised that the approach taken by Audit Scotland in respect of such outcomes is to assess the policies and process councils have in place, rather than to attempt to

measure the impact of these, there was clearly a concern that any conclusions reached are to some extent tentative yet still have an important bearing on the judgements councils receive in their audit reports

Third, there were repeated references to the fact that councils are increasingly working in partnership with other organisations to achieve outcomes and that this raises important issues concerning the scope of Best Value audits, discussed in detail below.

### 2.1.12 Auditing partnership working

While there was recognition that assessing the effectiveness of partnership working is one of the main BV2 improvement areas – and, indeed, a general consensus that the Pathfinder audit teams more than fulfilled their remit in this regard – several participants felt that a discussion still needs to be had around the assessment of *accountability* in partnerships or as one person put it “deciding who is responsible for how much of what”. Ultimately, and consistent with comments made during the BV2 consultation, there was concern about the possibility of councils being held accountable for the failure of partners to deliver on outcomes.

**“[There is]... a lot of concern around partnerships that in a way if the council is to be audited on its contribution to partnership on a BV, how to do that without auditing the contribution of the other partners and, indeed, how easy those partners are to deal with, how up they are for it and all the rest of it..... if you’re the NHS partner, it would be harder for you to achieve your desired outcomes around health improvement and social care, because they are being driven from Edinburgh around key targets that are disproportionately about waiting times turnovers and so on. How do you audit that by auditing the council?”**

The Accounts Commission sought to address these concerns in its response to the BV2 consultation, stating that its approach in respect of partnership working would be limited to assessing councils’ ability to: develop a shared vision for their area; bring together other stakeholders; mobilise people and resources to enable effective partnership working and the delivery of high quality outcomes.

However, it is unlikely that this response will satisfy everyone. Representatives of one of the Pathfinder councils took the view that, because partnership working is so central to what councils do, the BV2 model is essentially unfit for purpose and should be

replaced by a different approach, akin to the CAA<sup>6</sup> and Total Place models developed in England, which involved more of a focus on examining how a range of local agencies and service providers, not just councils, contributed to the achievement of outcomes.

**“A Total Place approach would have been much more consistent with the single outcome agreements that we’re now producing in Scotland and it would have provided a much more wrap around assessment process than the very traditional approach that they’ve taken of saying: ‘let’s subject local authorities to a BV2 assessment and in the process we will obviously look at their relationship with health boards and other organisations’.”**

### 2.1.13 Service performance

The focus on outcomes in BV2 dovetails with the principle of improving coverage of service performance and the use of resources. Audit Scotland has sought to implement this principle by working closely with the other inspectorates in the SRA, and by drawing on a broader range of performance data and evidence than in BV1.

Because some participants felt unclear about the way in which Audit Scotland had worked with inspectorates during the Pathfinder SRAs, they were reluctant to speculate on whether this had resulted in improved assessments of service performance. However, representatives of some of the Pathfinder councils did comment that, whilst on site, the audit teams had considered a wider range of evidence than in the past.

**“It wasn’t just going through our performance management system or the work we are doing in Public Service Improvement Framework but also bringing in all the strategic reviews that we’ve done to give a much more complete picture and I thought that was really excellent. “**

### 2.1.14 Equalities and sustainability

Equalities and sustainability are becoming increasingly prominent themes for councils, not least since the recent introduction of the Gender Equality Duty and the Carbon Reduction Commitment. The *Decisive Moment* review was critical of the lack of attention given to equalities and sustainability in BV1. Accordingly, the Accounts Commission is committed to adopting a more integrated approach to these issues as part of BV2, based on consultation between Audit Scotland and expert bodies such as

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<sup>6</sup> As already indicated, the CAA is to be abolished by the UK coalition government.

the Sustainability Commission, the Sustainable Scotland Network and the Equalities and Human Rights Commission (EHRC).

Participants in the evaluation had relatively little to say about the approach taken to equalities and sustainability in the Pathfinder audits. However, representatives from a few of the councils commented that the auditors did not appear to look at either area in great detail. Significantly, all of these participants went on to point out that their council had flagged either equalities or sustainability as a potential area of risk in its self assessment and that they had therefore anticipated a more thoroughgoing evaluation of related policy and practice.

There was a perception among these participants that the Accounts Commission's approach to auditing equalities and sustainability remains somewhat under-developed and/or ill defined. Although Audit Scotland did consult with EHRC, the Scottish Sustainability Network and the Sustainability Commission in developing its equalities and sustainability toolkits, one participant commented that these toolkits are "not very sharp" and appear to have been written from a "lay perspective" with little expert input. Another participant expressed a view that Audit Scotland is too preoccupied with seeing council plans set out "nice and tidy in a sustainability strategy" rather than on identifying and assessing real progress made by councils.

### Citizen focus

One of the areas of concern highlighted in *Decisive Moment* was the extent to which the views of local citizens and service users were taken into account during BV1. Furthermore, the Crerar review of scrutiny in Scotland recommended that all scrutiny bodies should place a greater emphasis on the views and experiences of the public in the work they conduct.

In response, the Accounts Commission's BV Improvement Plan sets out a "more robust approach to auditing and reporting on council's approaches to consulting and engaging with citizens." <sup>7</sup> While there is no commitment to work directly with local citizens and service users as part of BV2, the BV Consultation proposals do state that BV2 should strengthen "the way in which the views and experiences of local citizens and the people who use local services are assessed and reported."

Generally, the Pathfinder councils did feel that the audit teams had taken citizens' views into account as part of the detailed on-site work. Typically, they described how the teams had examined recent citizen survey data and used this to evidence points made in the audit report. In one council, participants said that the team had also explored other public engagement mechanisms, looking at complaints procedures in the Social Work department, the council's customer service initiative and attending public meetings about issues on which the council was consulting.

However, the perception among Pathfinders and national stakeholder organisations is that there has not been a radical change in the analysis of citizen and service user views in BV2. Although survey data was examined and reported, it was felt by some that wider engagement strategies were not always given sufficient prominence in reports. It was also felt that the Pathfinder reports could extend comment on citizen engagement to issues such as:

- the quality of surveys and other tools used to engage with citizens and people who use local services
- whether there are any tensions between a council's plans and priorities and the views of citizens and, if so, how these tensions are dealt with

### Peer involvement

As previously noted, *Decisive Moment* raised concerns about the experience and seniority of the audit teams. One of the ways in which Audit Scotland and the Accounts Commission proposed to address this issue was to include peer council officials and elected members in order to complement the skills of the BV audit teams.

While there was widespread support for the peer initiative in the BV2 consultation, opinion was divided with regard to how successfully this was implemented in the Pathfinder audits. Whereas some felt it was a positive addition, or at least had the potential to be, others felt the benefits of peer involvement were not obvious in practice. This disparity may be due to the differing levels of peer involvement in the Pathfinder audits. While some peers reported being onsite, attending meetings and participating in interviews, others said their contribution was limited to reviewing the draft report.

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<sup>7</sup> Best Value 2: Developing a more citizen-focussed audit (C6), Audit Scotland

There was a perception among councils that the presence of a third party observer who worked in local government, and therefore appreciated the associated challenges, would bring a more sympathetic perspective to the Pathfinder audit. Those in the most senior positions saw this as particularly beneficial as they felt that only someone with first hand experience could understand the challenges of leadership in a large political organisation. There was agreement on this point from the peers, who generally felt they could provide expertise and knowledge that the auditors could not. Typically, participants conceived of peers as being third party “moderators” who are there to provide an external check on the audit process and assess objectively whether or not resulting judgements are fair and the reporting accurate.

**“I see the peer reviewer as being there to [...] effectively act as a critical friend to Audit Scotland; [...], to moderate the auditor’s opinions and challenge auditors in terms of the assumptions and the conclusions that they are drawing.”**

Peers mentioned that involvement in the Pathfinder audits was not only a positive thing for the audited council but also a good learning experience for themselves; they welcomed the opportunity to discover how other councils work. One respondent from a Pathfinder council also commented on the potential benefit of increasing cross-council working, suggesting that this would help to foster a stronger shared commitment to improving public sector services for all.

Criticisms of peer involvement all stemmed from a perceived lack of clarity surrounding the role. This lack of clarity was mentioned, not only by some of the Pathfinder councils, but by a few of the peers themselves who commented their role was quite “vague”. While the councils commented that they did not know how much influence the peers had on the final judgements and report, the peers themselves saw the uncertainty as an inevitable part of creating a new role in the Pathfinder audits. Although the peers acknowledged the role was a “work in progress”, they did feel that it would be beneficial to develop more formal and consistent arrangements with regard to peer involvement for future BV2 audits.

Whether supportive of the introduction of peers or not, participants made more general comments about the scheme, most of which related to the challenges involved in finding the most appropriate people to act as peers. These issues had been considered by Audit Scotland before the Pathfinder audits but it is clear that improvements can be made.

Participants considered the match of the peer to the council area to be of critical importance: if a peer is not familiar with the type of area to be audited then the value of the peer system is reduced. Participants felt that the characteristics of the council from which the peer is selected – in terms of geography, rurality, deprivation or style of administration – need to be sufficiently similar to those of the council being audited if the peer is to make a meaningful contribution to the audit. Although Audit Scotland attempted to account for this in designing the peer system, some participants felt that they had not always been successful in this regard.

The issue of political membership of elected members was also raised by participants who were concerned that, if the council administration and the peer elected member come from opposing political parties, it is possible that the peer's input may not be as objective as it should be. Audit Scotland discussed this issue with CoSLA and SOLACE in advance of the Pathfinders to ensure such an eventuality was avoided.

### Audit reporting

In the *Decisive Moment* review best value reporting was identified as a key area for improvement. Reflecting this, the Accounts Commission identified clear audit reporting as one of its principles for BV2 and subsequently introduced two new judgements of a council's overall performance (see section 2.7.2).

There was a consensus in the evaluation that the Pathfinder audit reports were a significant improvement on those produced in BV1, with participants variously describing them as shorter, more focused and more readable.

However several suggestions for improvement were made, some of which mirrored comments made in *Decisive Moment*. These suggestions centred around three main aspects:

- the tone and balance of the reports
- the nature and transparency of the two new audit judgements and
- the quality assurance and publishing procedures.

### 2.1.15 Tone and balance of the reports

Some councils felt that the tone of their reports was unduly negative, particularly when compared with the verbal feedback given to them by members of the audit team. Linked to this they felt that their reports focussed too much on weaknesses and not enough on things they were doing well. They believed strongly that a more balanced approach should have been taken to provide a fairer reflection of their council's performance.

In one of the councils, participants felt unhappy about the way in which evidence had been used in their report, commenting that a single piece of performance data had been cited repeatedly to illustrate that "things were not right". They felt this gave disproportionate prominence to that data and further contributed to an unfairly negative portrayal of their authority's overall performance. On a related point, they expressed a view that there was too much focus in the report on old inspection results and not enough on improvement work that had been undertaken since these results were published.

### 2.1.16 The audit judgements

As part of its reporting process for BV2, the Accounts Commission is committed to delivering clearer assessments of council performance. Consequently it has developed two new audit judgements: a 'direction and pace of change judgement' which focuses on the council's record in improving the services it provides; and a 'capacity for future improvement' judgement which assesses the council's prospects for further improvement.

The direction and pace of change judgement is constructed around the analysis of performance trends over time, based on evidence gathered during the audit and the council's own performance data. The local circumstances in which individual councils operate is also taken into account. The capacity for future improvement judgement takes account of the auditors' assessment of an organisation's leadership and the extent to which a continuous improvement culture has been established.

The two judgements were tested in the Pathfinder audits and were a focal point of the evaluation. Regardless of their perceptions around the tone and content of their report, participants from most of the Pathfinder councils believed there was a lack of transparency in how the judgements had been reached. In discussing this point, representatives of some councils commented that the narrative of their report was

more positive than the judgments they received and it had not been immediately clear to them why this was the case. They said they would have liked to see more evidence of how the judgements had been arrived at and, in particular, how their council had been rated on each of the individual criteria that inform the judgements. There was some suggestion that, in future, Audit Scotland should include this information in audit reports as a matter of course. This, it was felt, would not only introduce greater transparency to the process, but would also make it harder for the media to present a “black and white” picture of councils’ performance because, in effect, the reports would include multiple (and probably varied) judgements, not just two.

**“There’s four rows against each column. Now you might be a level four in one, you might be a level one in another etc. etc., but at the end of the day, you end up as a three and the danger I think, particularly with the press [is that], they’re not going to read the whole report, they are just going to look at the judgement... and say, “right, that council is boom boom boom”, and I think that can give a misleading interpretation of what the judgement really is and I think that’s an issue for the BV2 process.”**

On a related point, participants in two of the councils felt that there should be some level of gradation within each of the four ‘pace and direction of travel’ and ‘prospects for improvement’ judgement categories, so that councils know exactly where within these categories they sit and how much work they have to do in order to move up a category.

**“I think [the judgements] are too sharp; there is no differentiation where, if someone is a two, are they a good two or a poor two? If they’re a three are they a good three that is nearly a two or a poor three that is actually nearer a four? They’re quite wide categories so there is a very big difference between the categories.”**

This issue may be at least partly resolved by moving from a 4-point to a 6-point scale. There was some support for making such a move, with a few of the Pathfinder councils suggesting that this would help differentiate between councils of variable performance and lead to a more nuanced assessment of performance.

Other stakeholders raised more philosophical questions concerning the premise of the judgments. For example, one person expressed concern that the ‘capacity to improve’ judgement, based as it is on a council’s past record of bringing about improvements, may ultimately result in councils being penalised for taking on long term projects that

take time to bear fruit. Others pointed out that pace of change judgements are entirely dependant on the timeframe being considered – for example, a council may have made rapid progress during the year preceding their audit but if prior to this their progress had been more limited, they may be “marked down” accordingly. There was a sense in which Audit Scotland had not been clear about its reference period during the Pathfinder audits and that, ultimately, this created scope for disagreements between councils and the audit teams over the validity of conclusions reached.

**“The example I gave to the council was asset management. If you looked at asset management from 1996 till now, the pace of change, the pace of progress is pretty slow. If you looked at it from 2007 to 2009, it’s actually very fast. I gave them these examples and said how are you measuring this over what period, because the scale does matter.”**

### 2.1.17 The reporting process

Most participants were happy with the opportunities they had had to discuss their draft report with the audit teams and spoke in generally positive terms about the teams’ willingness to take on board their feedback and make changes to their report accordingly. A couple of councils were disappointed, however, that changes made to their report at this stage did not also lead to changes in the final judgements they received.

A major theme of the evaluation was the process for clearing and agreeing reports. Participants in two of the Pathfinder councils were unhappy that they had not been given an opportunity to see their report before it was sent to the Quality and Consistency Review Panel and that this resulted in factual inaccuracies being left unchecked. They were concerned that these inaccuracies may have influenced the deliberations of the Panel and ultimately impacted on the judgements it made. Participants felt strongly that, in future, councils should be able to clear their reports for inaccuracies before these go to the panel.

In terms of the process for publishing the reports, representatives of one council were unhappy that the legislation underpinning the BV audit regime obliges them to make the Controller of Audit (CoA) report available to elected members before the Accounts Commission has arrived at its findings and these have been incorporated alongside the CoA report. They were concerned about the possibility of the judgements being leaked

to the media at a stage when the report had not yet been considered by the Accounts Commission.

## Support for improvement and the sharing of best practice

Participants were generally supportive of Audit Scotland being involved in the dissemination of good practice and supporting improvement. However, several people commented that, in practice, very little had been done in this regard in the Pathfinder audits, and that Audit Scotland has simply highlighted areas of weakness without providing any suggestion as to how these might be addressed.

**“I’ve always thought that part of the BV2 process was that they were identifying areas for improvement and they were going to help you in that journey, but all they seem to do is criticize and there are no positive suggestions if you like.”**

Consistent with findings from the BV2 consultation, a minority of participants held the view that it would not be appropriate for Audit Scotland to take on more responsibilities concerning supporting improvement and sharing best practice. They felt that this should be a function of the Improvement Service and not Audit Scotland. There was also agreement on this point from some of the national stakeholders who commented that extending the scope of Audit Scotland’s work may have a negative impact on the quality of its core scrutiny activity.

A number of the peer auditors made general comments on the supporting improvement agenda in BV2. They believed that simply by using a risk-based and targeted approach in the planning of the audit, it would be inevitable that there would be a greater emphasis on improvement in the report. However, they also felt that, in order to support improvement more effectively, instances of good practice should be highlighted in the reports as well. One peer suggested this would have the additional benefit of making the reports seem more balanced and less negative.

One of the peers also commented that it is important for Audit Scotland to keep in mind the current financial climate and the amount that councils can realistically expect to achieve when developing improvement plans. They noted that, while it was certainly appropriate for councils to maintain the performance of their services, they may not have the resources to improve their services at the moment, or at least improve them at the speed Audit Scotland expects.

### 3 Recommendations

Flowing from this evaluation, we have outlined a number of recommendations for consideration by Audit Scotland and the Accounts Commission.

These recommendations can be grouped into two categories:

- 1) 'Quick wins' – those which can be implemented straight away, having an immediate positive effect.
- 2) Longer term recommendations which will require reflection before implementation

#### 'Quick wins'

- Consideration should be given to widening the membership of external bodies to the SRA, particularly to the EHRC and SEPA given the increased emphasis on equalities and sustainability in the audit.
- Guidance for self-evaluation needs to be improved, giving more detail and clarity in terms of Audit Scotland's expectations.
- Attention should be paid to ensuring the length of the audit is shorter to reflect its more proportionate and more focussed nature. In particular, the period between fieldwork ending and the report being published has taken a long time during the Pathfinder audits and should be addressed.
- Where delays are occurring and deadlines are under threat at any point of the audit, communication from the audit team needs to happen more quickly and reasons explained more fully. This includes the rescheduling appointments and meetings, particularly when this is done at short notice.
- The approach to auditing equalities and sustainability as part of BV2 should be revised to give more detail and clarity to councils. Involving the EHRC and SEPA in the SRA process, and recommended above, may prove instructive in this regard.

- Based on lessons learned from the Pathfinders, the Accounts Commission should set out more clearly the role that it anticipates peers playing as part of the BV2 audit process. Related to this, when conducting BV2 audits, Audit Scotland should more clearly explain to councils how peers are to be involved with a view to improving transparency and aiding understanding of the added value peers can bring.
- Audit Scotland and the Accounts Commission should consider amending the reporting process to allow draft report to be sent to councils (without draft judgements) for factual accuracy checks before being assessed by the Quality and Consistency Review Panel. This would allow any factual errors to be corrected at the earliest possible stage. There are possible negative consequences of making this change which the Accounts Commission will need to consider before deciding. Firstly, it may have the effect of adding to the length of the audit (which runs contrary to our earlier recommendation) on timings. Secondly, it may be seen to compromise the independence of the audit if the audited council is perceived to be commenting too early on conclusions and judgements.

### Longer term recommendations

- Audit Scotland and the Accounts Commission should consider measures to tackle the widely-held perception of negative audit 'culture' among the Pathfinder councils. Despite the numerous developments in the audit, there remains a feeling that the partnership emphasis demanded of councils does not always extend to the relationship between auditors and councils.
- The audit teams need to be more aware, and take greater account, of the political complexities at some councils since the local elections of 2007. A starting point may be for Audit Scotland to consider ways in which elected member peers can support audit teams in demonstrating a better understanding of these complexities and the impact they have on the workings of councils.
- Audit Scotland and the Accounts Commission should restate its intention in relation to auditing outcomes. The difficulty in measuring outcomes is clear from the evaluation and councils need greater clarity around how this will happen.

- The issue of auditing partnership working needs to be addressed. The Accounts Commission needs to either restate its position around the limitations of auditing partners, or propose a fuller review of how to audit partnerships, working closely with the Scottish Government and all scrutiny bodies.
- There is scope for improving the audit approach to citizen focus with further analysis not only of the results of engagement but around the quality of approaches and how the data is used to inform changes to services.
- The Accounts Commission and Audit Scotland should consider revising the audit judgements in two ways. Firstly, greater transparency needs to be demonstrated in how the judgements have been reached, particularly in respect of how the council is rated on each of the individual criteria that form the judgements. Secondly, consideration should be given to moving to a six-point scale to give a more nuanced judgement of the council.
- In addition, the Accounts Commission and Audit Scotland should reassure councils over the broader issues on judgements raised in this report. Firstly, that councils will not be penalised for committing to long-term projects that will take time to bear fruit; and secondly to offer clarity over the timeframe being considered when assessing progress on long term projects.
- Audit Scotland needs to clearly define its role in respect of supporting improvement, particularly *vis a vis* the Improvement Service.

## 4 Appendices

### Evaluation of BV2 Pathfinders

#### Final topic guide for Council participants

##### Introduction

- Introduce self, Ipsos MORI and the research
- Explain the purpose of the interviews: WE HAVE BEEN COMMISSIONED BY AUDIT SCOTLAND TO CONDUCT THIS RESEARCH TO EVALUATE ASPECTS OF THE BV2 PATHFINDER AUDITS. LATER IN THE YEAR WE'LL BE CONDUCTING FURTHER RESEARCH TO EVALUATE THE SHARED RISK ASSESSMENT PROCESS. TODAY WE'LL BE FOCUSING SPECIFICALLY ON THE BV2 AUDIT PROCESS AS YOU EXPERIENCED IT.
- Explain the interview should last around 45 minutes
- Emphasise confidentiality, anonymity etc: BEFORE WE BEGIN, I'D LIKE TO REASSURE YOU THAT EVERYTHING YOU SAY WILL BE TREATED IN CONFIDENCE AND YOU WILL NOT BE NAMED IN ANY REPORTS THAT WE PRODUCE FOR AUDIT SCOTLAND
- Request permission to record and explain can be turned off at any point

##### Background

- To provide some context for your comments, I'd just like to begin by asking you about your role in the Pathfinder audit and the ways in which you were involved?
- In advance of the audit, how did you feel about the principles underpinning BV2 and the key improvement areas identified by the Accounts Commission – did they seem to offer an improved approach compared with BV1?
- Did you foresee any problems with what was proposed or any particular challenges it might present for [INSERT NAME OF COUNCIL]? What were these?

##### Overall perceptions

- [QUANT MEASURE] Now that you have participated in the BV2 Pathfinder exercise, overall, how would you rate the BV2 audit experience? (Very good , fairly good, neither good nor poor, fairly poor, very poor)
- Why do you say that?
- What would you say were the strengths of the approach?
- And what would you say were the main weaknesses of the approach, or areas where it could be further improved?
- And how did it compare to what has gone before? PROBE FOR BETTER/WORSE

- PROBE FOR THE EXTENT TO WHICH APPROPRIATE AREAS OF RISK WERE IDENTIFIED AND A PROPORTIONATE APPROACH ADOPTED

### **Streamlined scrutiny**

EXPLAIN: I'D NOW LIKE TO AND ASK YOU SOME MORE SPECIFIC QUESTIONS ABOUT WHETHER THE AUDIT WAS STREAMLINED AND WELL CO-ORDINATED

- As you know, the audits all involved a shared risk assessment process between Audit Scotland and other local government scrutiny partners which led to an initial risk assessment (IRAS) document setting out the planned scope of the audit.
  - How helpful was that document and the discussions about planned scope of the audit?
- Did the audit feel like a joined-up process between Audit Scotland and their scrutiny partners?
  - Why do you say that?
- Do you think your self evaluation evidence influenced the audit?
- How much of a burden did it place on you and your organisation, particularly when compared with the first round of best value audits? How do you feel about this?

### **Organisation and transparency**

- How well organised would you say the audit was? PROBE FOR: communication from the audit team, scheduling, conduct during the audit
- [QUANT MEASURE] To what extent do you agree that 'the process was transparent' (Strongly agree, tend to agree, neither agree nor disagree, tend to disagree, strongly disagree)
  - Why do you say that?
- Was their clarity around the criteria that audit teams used to judge the council? Why do you say that?

### **Outcome and citizen focus**

IN ADDITION TO PROMOTING GREATER TRANSPARENCY AND CLARITY, THE PRINCIPLES UNDERPINNING BV2 INCLUDED DELIVERING A MORE OUTCOME FOCUSED, AS WELL AS A MORE CITIZEN FOCUSED, AUDIT.

- [QUANT MEASURE] To what extent do you agree or disagree that 'the balance of focus between service performance and outcomes; and corporate governance/management systems and processes was appropriate'?
  - Why do you say that?
- Does a focus on outcomes present any particular challenges? IF YES What are these?
- To what extent were the views of citizens taken into account?
  - Do you feel this was appropriate? Why /not?

- Does a focus on citizens' views present any particular challenges? IF YES What are these?

### **Partnership and service performance**

ANOTHER IMPORTANT PRINCIPLE UNDERPINNING BV2 INCLUDED HAVING A STRONGER FOCUS ON PARTNERSHIP WORKING AND A CLEARER ASSESSMENT OF SERVICE PERFORMANCE.

- Do you think the audit has delivered a clear assessment of how well the council is working with its partners to deliver high-quality outcomes and services for local people?
  - Why do you say that?
- Do you think the audit has delivered a more rounded assessment of council service performance, compared to your BV1 audit?
  - Why do you say that?

### **The Audit teams and Peer Involvement**

I'D LIKE TO MOVE ON AND ASK YOU A FEW QUESTIONS SPECIFICALLY ABOUT THE AUDIT TEAM

- [QUANT MEASURE] To what extent do you agree or disagree with the statement 'The Best Value audit team were credible' (Strongly agree, tend to agree, neither agree nor disagree, tend to disagree, strongly disagree)
- Why do you say this? PROBE FOR: experience, professionalism
- What were the main strengths of the audit team?
- What were the main weaknesses of the audit team?
- The introduction of peers was an important BV2 Development. In your opinion has it improved the process? Why do you say this PROBE FOR CREDIBILITY OF PEER AUDITORS, WHAT THEY ADDED TO THE TEAM, WHETHER EXPERIENCED ANY DIFFICULTIES BECAUSE OF PEER INVOLVEMENT?

### **Feedback**

- When the auditors concluded their work, did they:
  - Give you any initial feedback on how it had gone?
  - Tell you what would happen next in terms of the procedures and timetable for reporting?

IF INTERVIEWEES HAVE SEEN THEIR REPORT ASK:

- What are your views of the audit report that your council received?
- Why do you say that?
- [QUANT] To what extent would you say that the report is:
  - fair and consistent
  - readable
  - covered the local context well
  - the appropriate length

- Is clear in terms of the judgements made and rationale underpinning these?
- Do you think the final audit report is accessible to the public? PROBE FOR FORMAT, LANGUAGE ETC.
- The Pathfinder Audits are testing the two new BV2 judgements (pace and direction of travel and prospects for improvement). What comments do you have about the new judgements at this stage of the audit process?

### **Supporting improvement**

- To what extent do you feel that the BV2 audit approach has had a stronger emphasis on supporting improvement? PROBE for:
  - Focus on improvement in the audit work
  - Emphasis on improvement in the report (where appropriate)
  - Quality of support provided to councils in developing improvement approaches

### **Looking to the future**

#### **FINALLY, JUST TO SUM UP:**

- Overall, have the Accounts Commission/Audit Scotland accomplished what they set out to achieve?
- In general, were your experiences of the audit consistent with what you expected?
- What changes would you like to see to BV2 before the approach is rolled out to all councils?
- Do you have any other views on future developments?

## Evaluation of BV2 Pathfinders

### Final topic guide for national stakeholders

#### Introduction

- Introduce self, Ipsos MORI and the research
- Explain the purpose of the interviews: WE HAVE BEEN COMMISSIONED BY AUDIT SCOTLAND TO CONDUCT THIS RESEARCH TO EVALUATE ASPECTS OF THE BV2 PATHFINDER AUDITS. LATER IN THE YEAR WE'LL BE CONDUCTING FURTHER RESEARCH TO EVALUATE THE SHARED RISK ASSESSMENT PROCESS. TODAY WE'LL BE FOCUSING SPECIFICALLY ON THE BV2 AUDIT PROCESS AS YOU EXPERIENCED IT.
- Explain the interview should last around 30 minutes at most
- Emphasise confidentiality, anonymity etc: BEFORE WE BEGIN, I'D LIKE TO REASSURE YOU THAT EVERYTHING YOU SAY WILL BE TREATED IN CONFIDENCE AND YOU WILL NOT BE NAMED IN ANY REPORTS THAT WE PRODUCE FOR AUDIT SCOTLAND
- Request permission to record and explain can be turned off at any point

#### Background

- To help contextualise your comments it would be useful if you could briefly describe the role your organisation has played in the development of BV2
- In advance of the BV2 Pathfinder exercise, what was your organisation's view of the principles underpinning BV2 and the key improvement areas identified by the Accounts Commission
- To what extent did you think that BV2 represented an improvement from BV1? Why do you say that?
- What risks or disadvantages, if any, did you see from the BV2 approach. What were these?

#### Overall perceptions

- Overall, what is your impression of how well the BV2 developments have worked?
- Why do you say that?
- What do you see as the main strengths of the new approach?
- And what do you see as the main weaknesses of the approach?
- To what extent do you think that the new audit approach which was tested in the BV2 Pathfinders will deliver the key improvement areas identified by the Accounts Commission – PROBE for:
  - Risk based
  - Proportionate
  - Focussed on the right issues
  - Citizen focussed
  - Less of a burden on councils than BV1.

## **Looking to the future**

- Overall, at this stage, have the Accounts Commission/Audit Scotland accomplished what they set out to achieve?
- What further changes, if any, would you like to BV2 before it is implemented in all councils
- Do you have any other views on future developments?

## Evaluation of BV2 Pathfinders

### Final topic guide for Peer auditors

#### Introduction

- Introduce self, Ipsos MORI and the research
- Explain the purpose of the interviews: WE HAVE BEEN COMMISSIONED BY AUDIT SCOTLAND TO CONDUCT THIS RESEARCH TO EVALUATE ASPECTS OF THE BV2 PATHFINDER AUDITS. LATER IN THE YEAR WE'LL BE CONDUCTING FURTHER RESEARCH TO EVALUATE THE SHARED RISK ASSESSMENT PROCESS. TODAY WE'LL BE FOCUSING SPECIFICALLY ON THE BV2 AUDIT PROCESS AS YOU EXPERIENCED IT.
- Explain the interview should last around 45 minutes
- Emphasise confidentiality, anonymity etc
- Request permission to record and explain can be turned off at any point

#### Background

- First, it would be useful if you could briefly describe the role you played in the process as a peer auditor - what did this involve?
- In advance of the Audit, how did you feel about the principles underpinning BV2 and the key improvement areas identified by the Accounts Commission
- Did you foresee any problems with what was proposed or any particular challenges it might present? What were these?

#### Overall perceptions

- I'd like to move on and discuss your perceptions of how well the Pathfinder audits worked in practice. Overall, what is your impression of how well the BV2 Pathfinder audits worked
  - Why do you say that?
- What would you say were the strengths of the approach?
- And what would you say were the main weaknesses of the approach?
- In general, were your experiences of the audit consistent with what you expected? PROBE FOR THE EXTENT TO WHICH APPROPRIATE AREAS OF RISK WERE IDENTIFIED AND A PROPORTIONATE APPROACH ADOPTED

#### The Audit teams and your involvement in the audit

- What were your impressions of the Audit Scotland Audit Team? Why do you say this? PROBE FOR: credibility, experience, professionalism
- What were the main strengths of the team?
- What were the main weaknesses of the team?
- To what extent do you feel the introduction of peer auditors like yourself has improved the process? Why do you say this?

- Did you experience any specific challenges in attempting to carry out your role? What were these? Were you able to overcome them?
- Any were there any specific factors which you felt particularly helped you to carry out your role? What were these?
- How effective was the support you received from Audit Scotland before, during and after your involvement in the audit?
- Were you made to feel like a full member of the audit team, and your skills used effectively in the audit?
- What were the benefits for you of participating in this process?
- What changes, if any, would you like to see made to the role of peer auditor in the future?

### **Organisation and transparency**

EXPLAIN: I'D NOW JUST LIKE TO MOVE ON AND ASK YOU SOME MORE SPECIFIC QUESTIONS ABOUT THE ORGANISATION AND CODUCT OF THE AUDIT

- To what extent do you agree that the process was transparent
  - Why do you say that?
- Do you feel there was clarity around the criteria that audit teams used to judge the council? Why do you say that?

### **Outcome and citizen focus**

IN ADDITION TO PROMOTING GREATER TRANSPARENCY AND CLARITY, THE PRINCIPLES UNDERPINNING BV2 INCLUDED DELIVERING A MORE OUTCOME FOCUSED, AS WELL AS A MORE CITIZEN FOCUSED, AUDIT.

- Do you feel that there was an appropriate balance of focus between service outcomes and corporate governance?
  - Why do you say that?
- In what ways were the views of citizens taken into account?
  - Do you feel this was adequate?

THE DRAFT AUDIT REPORT:

- What are your views of the report that was produced?
  - Why do you say that?
- [QUANT] To what extent would you say that the report is:
  - fair and consistent
  - readable
  - covered the local context well
  - the appropriate length
  - Is clear in terms of the judgements made and rationale underpinning these?
- Do you think the final audit report is accessible to the public? PROBE FOR FORMAT, LANGUAGE ETC.

- The Pathfinder Audits are testing the two new BV2 judgements (pace and direction of travel and prospects for improvement). What comments do you have about the new judgements at this stage of the audit process?

### **Supporting improvement**

- To what extent do you feel that the BV2 audit approach has had a stronger emphasis on supporting improvement? PROBE for:
  - Focus on improvement in the audit work
  - Emphasis on improvement in the report (where appropriate)
  - Quality of support provided to councils in developing improvement approaches

### **Looking to the future**

#### **JUST TO SUM UP**

- Overall, have the Accounts Commission/Audit Scotland accomplished what they set out to achieve
- What changes would you like to see to BV2 before the process is rolled out to all councils?
- Do you have any other views on future developments?

## Evaluation of BV2 Pathfinders

### Final topic guide for Audit Scotland Workshop

#### Introduction

- Introduce self, Ipsos MORI and the research
- Explain the purpose of the interviews: WE HAVE BEEN COMMISSIONED BY AUDIT SCOTLAND TO CONDUCT THIS RESEARCH TO EVALUATE ASPECTS OF THE BV2 PATHFINDER AUDITS. TODAY WE WILL BE FOCUSING ON YOUR THOUGHTS ABOUT, AND EXPERIENCES OF, THE AUDIT PROCESS. The FINDINGS OF THIS RESEARCH WILL BE REPORTED IN APRIL.
- Explain the workshop should last around 2 hours
- Emphasise confidentiality, anonymity etc: BEFORE WE BEGIN, I'D LIKE TO ASSURE YOU THAT EVERYTHING YOU SAY WILL BE TREATED IN CONFIDENCE AND YOU WILL NOT BE NAMED IN ANY REPORTS THAT WE PRODUCE FOR AUDIT SCOTLAND. ASK PARTICIPANTS NOT TO TALK OUTSIDE THE GROUP ABOUT WHAT COLLEAGUES HAVE SAID
- Request permission to record and explain can be turned off at any point

#### Background

- I'm sure you all know each other but for our benefit I'd appreciate it if you could go round and introduce yourselves briefly and tell us which Pathfinder area you were involved with and what your role was within the audit team.
- In advance of the audit, how did you feel about the principles underpinning BV2 and the key improvement areas identified by the Accounts Commission in comparison to BV1?
- Did you foresee any particular challenges that BV2 would pose for both yourselves and the Pathfinder Councils?

#### Overall Perceptions

- I'd like to move on and discuss your overall perceptions of how well the Pathfinder audits worked in practice. Overall, what is your impression of how well the BV2 Pathfinder audits worked? Why do you say that?
- What would you say were the strengths and weaknesses of the approach?
- And how did it compare to what has gone before in BV1? PROBE FOR BETTER/WORSE, EXTENT TO WHICH APPROPRIATE AREAS OF RISK WERE IDENTIFIED AND A PROPORTIONATE APPROACH ADOPTED.

## Streamlined Scrutiny

EXPLAIN: I'D NOW LIKE TO AND ASK YOU SOME QUESTIONS ABOUT SPECIFIC ASPECTS OF THE AUDIT PROCESS

- As you know, the audits all involved an initial risk assessment meeting between Audit Scotland and other local government scrutiny partners which led to a risk assessment (IRAS) document setting out the planned scope of the audit.
  - How helpful did you find that document and the discussions about the planned scope of the audit?
- How useful were the councils' self assessments in determining the content of the IRAS documents?
- Do you feel that, in practice, the BV2 approach is less of a burden to the councils than BV1? In your opinion, is this view shared by the councils? In what ways, if any, could the burden be reduced?

## Organisation and transparency

- How well organised was the audit?
- Were there any aspects of organisation that worked particularly well? What were these?
- In what ways, if any, could the organisation of the audit been improved? PROBE FOR SCHEDULING, COMMUNICATION WITH THE COUNCIL
- How well did Audit Scotland keep to timescales? Why is that? In what ways, if any, could this be improved?
- How transparent did you feel the audit process was? In your view did the council feel the same? In what ways, if any, could the audit process be made more transparent?
- How clear were councils on the criteria you used to make judgements? In what ways, if any, could the criteria be made clearer?

## The new BV2 judgements

- The Pathfinder Audits are testing the two new BV2 judgements (pace and direction of travel and prospects for improvement). What comments do you have about the new judgements at this stage of the audit process? PROBE FOR- HOW EASY OR DIFFICULT IT IS TO ARRIVE AT The JUDGEMENTS; WHETHER THE NUMBER AND WORDING OF THE CATEGORIES IS APPROPRIATE.

## Peer auditors

- The introduction of peers was an important BV2 Development. In your opinion has it improved the process? Why do you say this PROBE FOR CREDIBILITY OF PEER AUDITORS, WHAT THEY ADDED TO THE TEAM, WHETHER EXPERIENCED ANY DIFFICULTIES BECAUSE OF PEER INVOLVEMENT?
- What changes, if any, would you like to see to the peer auditor role?

## **Outcome and citizen focus**

WE ARE NOW GOING TO TALK ABOUT THE FOCUS OF THE AUDITS. ONE OF THE PRINCIPLES UNDERPINNING BV2 INCLUDED DELIVERING A MORE OUTCOME FOCUSED, AS WELL AS A MORE CITIZEN FOCUSED, AUDIT.

- What was your view of the balance between service performance, management arrangements and outcomes? Was this an appropriate balance?
- What were the challenges, if any, of an increased focus on outcomes for both you and the councils?
- To what extent were the views of citizens taken into account?
  - Do you feel this was appropriate? Why?
- What were the challenges, if any, of a focus on citizens' views for both you and the councils?

## **Partnership and service performance**

ANOTHER IMPORTANT PRINCIPLE UNDERPINNING BV2 INCLUDED HAVING A STRONGER FOCUS ON PARTNERSHIP WORKING AND A CLEARER ASSESSMENT OF SERVICE PERFORMANCE.

- Do you think the audit has delivered a clear assessment of how well councils are working with their partners to deliver high-quality outcomes and services for local people?
  - Why do you say that?
- Do you think the audit has delivered a more rounded assessment of councils' service performance, compared to BV1 audits?
  - Why do you say that?

## **Working with the councils**

- How well did the councils engage with the new BV2 approach? How cooperative were they? Why would you say that?  
PROBE FOR BOTH OFFICIALS AND ELECTED MEMBERS.

## **Feedback and reporting**

- When you concluded your work, did you provide initial verbal feedback on how the audit had gone? Do you feel the feedback consistent with the conclusions that were included in the report?
- What are your views on the reports that were produced?
- Do you think the final reports are accessible to the public? PROBE FOR FORMAT, LANGUAGE ETC.
- Do you have any other comments on the report? How might reporting be approached differently in the future?

## Supporting improvement

- To what extent do you feel that the BV2 audit approach has had a stronger emphasis on supporting improvement? PROBE for:
  - Focus on improvement in the audit work
  - Emphasis on improvement in the report (where appropriate)
  - Quality of support provided to councils in developing improvement approaches

## Looking to the future

FINALLY, JUST TO SUM UP:

- Overall, have the Accounts Commission/Audit Scotland accomplished what they set out to achieve?
- In general, were your experiences of the audit consistent with what you expected?
- What changes would you like to see to BV2 before the approach is rolled out to all councils?
- Do you have any other views on future developments?