

Best Value toolkit: Financial management



Prepared by Audit Scotland
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Introduction

The Audit of Best Value

“Achieving Best Value is about ensuring sound governance, good management, public reporting on performance and a focus on improvement”

The duty of Best Value applies to all public bodies in Scotland. It is a statutory duty in local government, and in the rest of the public sector it is a formal duty on Accountable Officers.

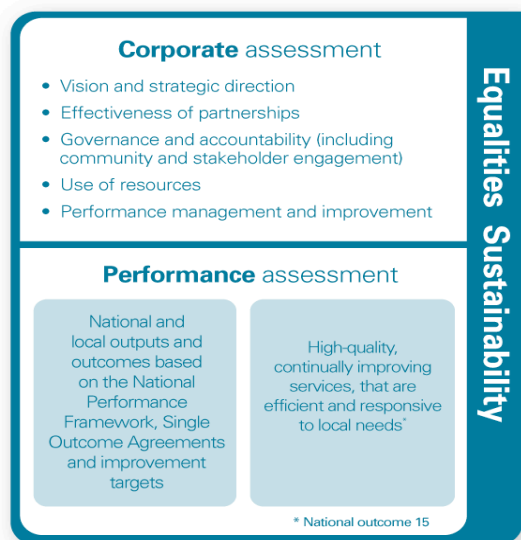
Best Value has already been a powerful force for improved performance and accountability in local government, and it will play an important role in supporting the Concordat and the development of Single Outcome Agreements between the Scottish Government, councils and their partners, and in streamlining and coordinating the scrutiny of public services. It also has the potential to underpin the National Performance Framework and the ‘management scorecard’ elements of Scotland Performs.

On behalf of the Auditor General and the Accounts Commission, Audit Scotland has identified a set of principles that form the basis for a consistent approach to the audit of Best Value across the public sector, although its application will differ to reflect factors such as the different accountability regimes and reporting arrangements in place in different sectors. This will enable us to apply a consistent set of expectations across all the bodies that we audit, and to reflect and support the reality of partnership working between organisations.

The Best Value toolkits are a key part of the practical application of the BV audit. They provide an evaluation framework that will help auditors to reach robust judgements on how public bodies are delivering Best Value. However, they cannot generate Best Value judgements on their own. They cover only part of the process. Judgements about Best Value also involve consideration of service standards and performance, outcomes and how effectively continuous improvement is being achieved. The framework through which the various elements of the Best Value audit are brought together to arrive at an overall conclusion on the extent to which an organisation is achieving Best Value is outlined below:

Exhibit 1

Framework for a BV audit of a public body



Source: Audit Scotland

As the diagram demonstrates, Audit Scotland's approach to the audit of Best Value entails both corporate assessment and performance assessment elements. The former focuses on how an organisation plans and conducts its business and manages its resources while the latter looks at the quality of those services and the outcomes for service users.

Audit Scotland is committed to ensuring that Best Value auditing across the public sector adds value to existing arrangements, is risk-based and builds on our existing knowledge of individual public bodies, and that of our scrutiny partners. Specifically we aim to:

- report on the delivery of outcomes for people who use services
- protect taxpayers' interests by examining use of resources
- put an increasing emphasis on self assessment by public bodies with audit support and validation
- work collaboratively with other scrutiny bodies to ensure our work is aligned and prevent duplication.

The Best Value toolkits

The Best Value toolkits are a series of audit diagnostics, which will help reviewers to establish the extent to which public bodies' arrangements are designed to achieve, and are actually delivering, Best Value. They have been developed to support the corporate assessment process around the five corporate assessment areas noted in Exhibit 1, and the two cross-cutting themes of equalities and sustainability. However, as each toolkit also incorporates a series of questions on the impact of the area under review, they will also provide some evidence to support the assessment of service performance and outcomes.

The Best Value toolkits have been developed as audit tools in consultation with specialist practitioners, and representatives of public bodies and professional groups.

The toolkits take the form of structured key questions, with a matrix of possible levels of performance, ranging from basic to advanced practice. The matrices cannot of course capture all of the ways in which a public body may address the requirements of Best Value, so there is clearly scope for auditors to exercise balanced judgement and for public bodies to respond flexibly in demonstrating how the key areas of challenge are addressed. Individual evaluations are made about the level a public body has attained in each question or area. However, these have not been weighted and it is not intended that these be used to determine an overall scoring for any toolkit. They are designed to contribute to sound professional judgements, not to replace them.

Using the toolkits

The toolkits are designed for application by Audit Scotland's auditors when carrying out Best Value audits of public bodies. In practice, the toolkits will be applied as part of an audit process, whereby the auditor makes enquiries, seeks supporting information and forms conclusions based on the evidence obtained.

Audit Scotland recognises that bodies may find the toolkits helpful in carrying out general organisational reviews or specific service reviews and are therefore available in the Audit Scotland website www.audit-scotland.gov.uk. It should be stressed however that public bodies using the toolkits do so at their own discretion. The toolkits are designed principally as audit tools that are part of

Audit Scotland’s overall Best Value audit methodology and are not expressly produced for self-assessment purposes.

Any organisation using the toolkits to inform their own corporate or service-based self-evaluation processes will need to consider the local context when applying them, and also the indicative rather than conclusive nature of the findings when interpreting the results. The toolkits were designed to elicit contextual information and provide evidence for arriving at professional audit judgements. They are not intended to be, and cannot be, used in a “tick-box” fashion.

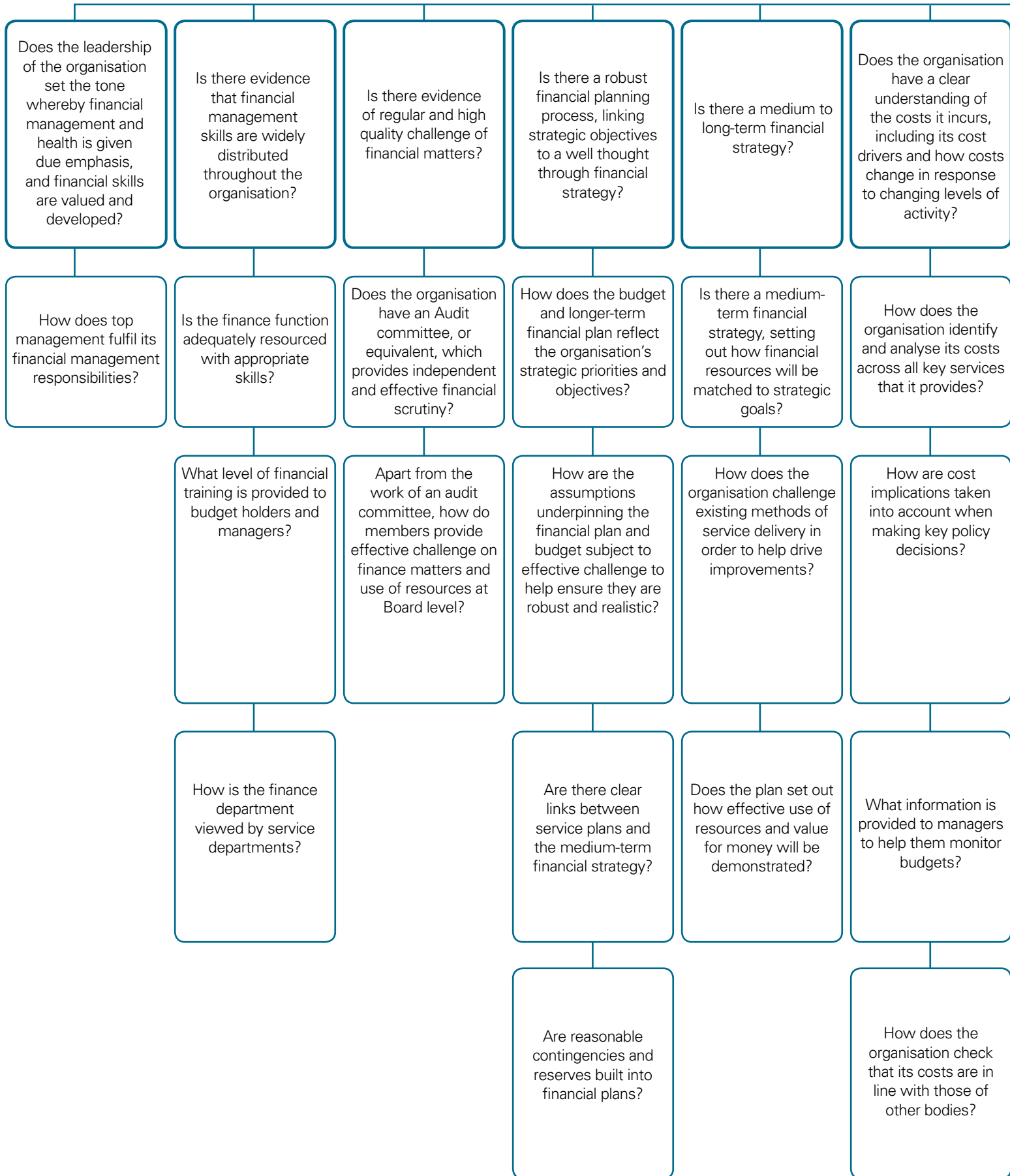
The Best Value toolkits are generic in nature, in that they are not specific to any one type of public body or to any one sector and are designed so that they can be applied to all public bodies. Auditors will require to be sensitive to the differences between organisations both in terms of different sectors and varying scales of operation.

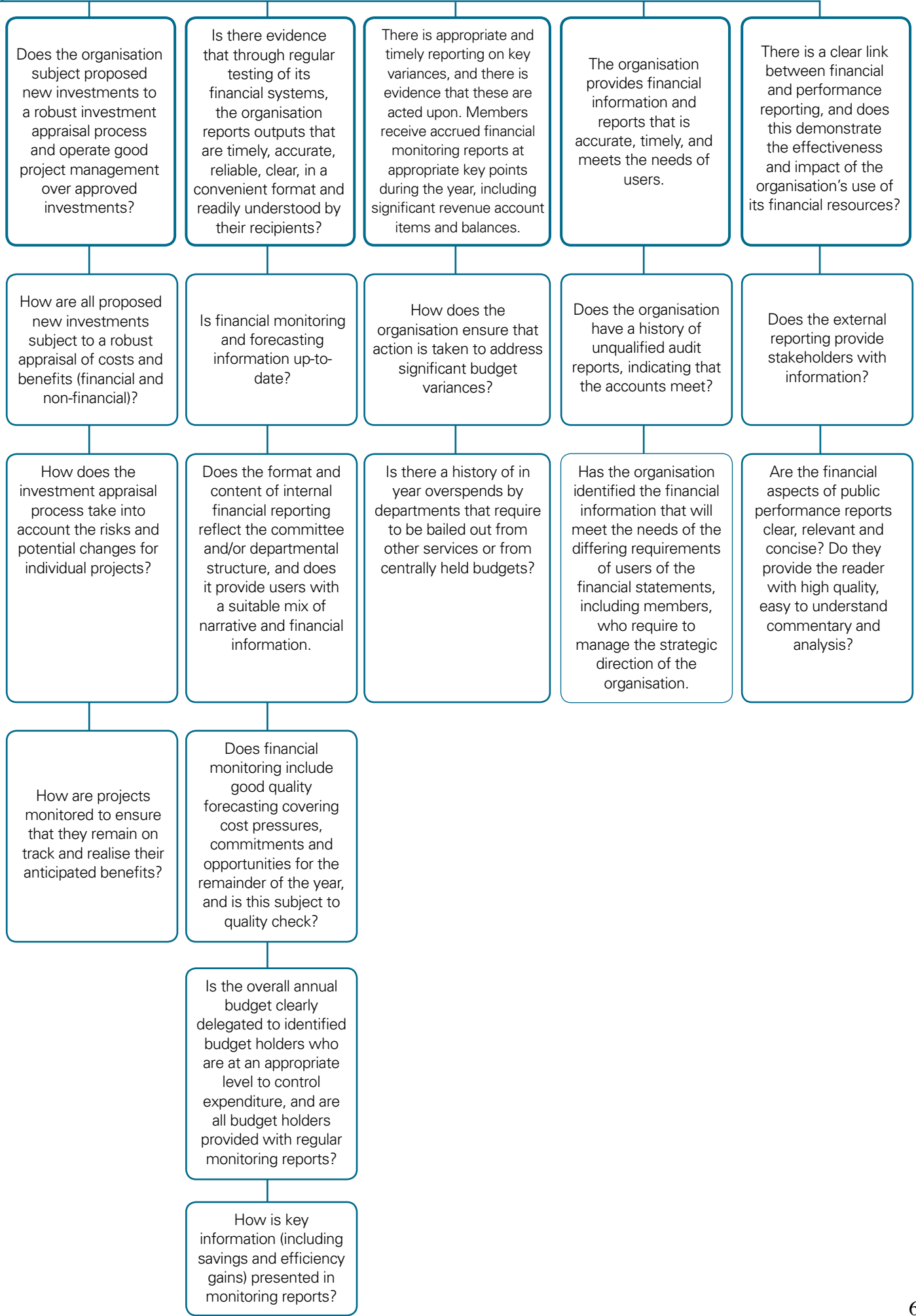
This toolkit forms part of a suite of audit products that will be applied, over time, to support a structured, evidenced based, judgment on an organisation’s approach to the use of the resources with which it has been provided and its achievement of Best Value.

Auditors’ evaluations

The toolkit takes the form of a series of questions based on identified good practice. It then offers four sets of descriptors, these being:

Does not meet basic requirements	An organisation may not yet demonstrate the basic practice level in any particular category.
Basic practices	Minimum acceptable standards, which would be sufficient to allow an organisation to demonstrate sound performance.
Better practices	As basic, with some elements of good or even best practice, but not on a consistent basis.
Advanced practices	Consistently demonstrating good or best practice and contributing to innovation.





Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
1. Does the leadership of the organisation set the tone whereby financial management and health is given due emphasis and financial skills are valued and developed?			
1.1 How does top management fulfil its financial management responsibilities?	<p>The Finance Director is responsible for financial management issues and provides advice to members and other senior managers on the wider business environment.</p> <p>Robust processes exist to identify shortfalls of resources and cost pressures.</p> <p>Action is taken to ensure that annual financial targets are met.</p> <p>Top management has a clear view of the organisation's financial position relative to its operating environment and produces robust business and investment strategies on that basis</p>	<p>As well as the Director of Finance, there is general knowledge among other senior managers of the business environment within which the organisation operates.</p> <p>The leadership promotes a culture of transparency about its financial performance and position. There is evidence that top management understand the importance of financial management and encourage best use of resources. There is good understanding and routine challenge of financial assumptions and performance.</p> <p>As well as focusing on meeting short-term targets, senior managers are also aware of longer-term financial pressures.</p>	<p>The organisation can demonstrate that there is a strong culture that takes seriously individual and collective responsibility for the stewardship, use of resources and financial accountability to stakeholders.</p>

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
2. Is there evidence that financial management skills are widely distributed throughout the organisation?			
2.1 Is the finance function adequately resourced with appropriate skills?	Key members of the finance team are professionally qualified. There are no significant vacancies.	The organisation has a workforce plan for the finance department which addresses current and future workforce needs in terms of numbers and skills.	Workforce plans are well developed and integrated into service planning resulting in few recruitment and capacity issues. Resources and skills are benchmarked with comparable organisations.
2.2 What level of financial training is provided to budget holders and managers?	Basic financial training is provided for managers' outside the finance team, as part of their induction, largely focusing on the budget monitoring system and the reports it can provide.	Regular refresher training and updates are provided to managers on the organisation's financial targets, its financial monitoring process and the action to be taken to manage budget variations.	All managers receive regular training on financial matters with regular updates and refresher courses. Managers have a clear appreciation of the organisation's financial strategy and goals, the financial implications of their planned decisions and consequent use of resources in terms of service delivery.
2.3 How is the finance department viewed by service departments?	Staff are aware who to contact within the finance department. The role of staff within finance is focussed primarily on financial and budgetary control.	The finance department is seen as business aware, meeting with key departments when developing annual budgets. It provides sound advice, helping to support service improvement, and responding to changes in the business environment.	The finance department is seen as business aware, meeting with all service departments regularly, throughout the year, and anticipating changes in the business environment.

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
3. Is there evidence of regular and high quality challenge of financial matters?			
3.1 Apart from the work of a finance committee, how do members provide effective challenge on finance matters and use of resources at Board level?	<p>Members are involved in setting budgets and the organisation's overall financial strategy.</p> <p>High level financial targets and the overall financial position of the organisation are regularly discussed at meetings at Board level.</p> <p>Minutes of finance committee meetings are provided to Board members, allowing them to monitor other financial matters.</p>	<p>The financial position of the organisation, including budget monitoring statements and forecasts, is discussed as a discrete item at meetings at Board level.</p> <p>Board members regularly consider financial risks and monitor the achievement of efficiency targets.</p> <p>There is evidence that members/non-executives hold management to account for its performance in meeting agreed goals and objectives with robust scrutiny and effective follow-up of outcomes arising.</p>	<p>Members focus on strategy and performance rather than being distracted by detail. As well as monitoring performance, they proactively challenge on longer-term financial matters, helping to shape alternative strategies.</p>
3.2 Does the organisation have an Audit committee, or equivalent, which provides independent and effective financial scrutiny?	<p>The organisation delivers the core functions of an audit committee. Audit reports are considered by the committee and significant failings reported to other members/non-executives. The audit committee monitors progress of audit action plans.</p>	<p>The committee comprises members who have an appropriate mix of skills, including relevant financial experience and an understanding of risk management and corporate governance issues. The committee chair commands respect within the organisation and has sufficient credibility to drive forward the work of the committee.</p> <p>As well as receiving and considering audit reports, the audit also helps to shape the programme of work carried out by internal audit.</p> <p>In addition to monitoring traditional financial controls, the Committee also assesses areas such as financial risks and efficiency targets.</p>	<p>The committee is able to demonstrate the impact of its work and contributes independently to the corporate governance of the organisation.</p> <p>The audit committee routinely assesses its own effectiveness.</p>

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
4. Is there a robust financial planning process, linking strategic objectives to a well thought through financial strategy?			
4.1 How does the budget and longer-term financial plan reflect the organisation's strategic priorities and objectives?	There is a traditional budget process, with the annual budgets largely set by corporate finance staff and based on those for previous years, but with some adjustments to reflect new projects or major service changes.	The finance department engages with service departments through events such as planning workshops when preparing the budget and other financial plans. Budgets reflect current projects and short-term developments, with some forward looking projections.	Budgets reflect short, medium and long-term organisational goals (including rolling forecasts of future financial commitments). A clear link can be drawn between overall budget and strategic organisational objectives. The finance department engages effectively with service departments whose own plans, strategies and business assumptions inform the financial planning process.
4.2 How are the assumptions underpinning the financial plan and budget subject to effective challenge to help ensure they are robust and realistic?	Budget assumptions exist for key areas. They are subject to challenge by the CEO and the corporate management team.	There are clear and comprehensive budget assumptions. They are subject to challenge from senior managers and members.	Budget assumptions are subject to challenge throughout the year. There is evidence that this challenge has resulted in changes being made to budget assumptions.
4.3 Are there clear links between service plans and the medium-term financial strategy?	Services plans are in place, but their links with the financial strategy require development.	Services plans are in place, and clear links can be made between service priorities and the financial strategy. However, service plans could better address cross-cutting organisational issues.	Services plans are in place, and clear links between service priorities and the financial strategy are evident, including the relationship between key service priorities and cross-cutting strategic priorities.
4.4 Are reasonable contingencies and reserves built into financial plans?	Standard levels of contingencies and reserves are contained within the budget.	Contingencies and reserves are based on a structured assessment of service and financial risks.	Contingencies and reserves are regularly reassessed during the year to help ensure that they are sufficient to meet continuing risks.

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
5. Is there a medium to long-term financial strategy?			
5.1 Is there a medium-term financial strategy, setting out how financial resources will be matched to strategic goals?	<p>There is a 3-year financial plan, focusing on achieving financial balance.</p> <p>As well as mainstream funding, the medium-term financial plan also sets out other funding sources (including 'challenge' and bid-funding, PFI/PPP, prudential borrowing) with an assessment of the merits of different options. However, it does not examine possible or likely partner contributions</p>	<p>There is a medium-term (3-5 year) plan, which links with broader organisational strategies (i.e. sets out how financial resources will need to be redirected to achieve corporate priorities).</p> <p>The medium-term financial plan clearly sets out all possible funding sources, including possible (or likely) partner contributions.</p>	<p>There is a medium-term plan, which links with broader organisational strategies (i.e. sets out how financial resources will need to be redirected to achieve corporate priorities and was developed with partners (where appropriate).</p> <p>It also includes a longer-term budget covering 5-10 years which seeks to anticipate changes in the organisation's environment, service developments, and cost pressures.</p>
5.2 How does the organisation challenge existing methods of service delivery in order to help drive improvements?	<p>There is a programme of service reviews, designed to cover all areas of the organisation's activities.</p>	<p>There is a programme of service reviews, based on strategic goals and an assessment of performance and the opportunities for delivering significant improvements in either service quality or reduced cost.</p> <p>Members are involved in helping to establish the areas to be reviewed and in monitoring the results.</p>	<p>The organisation seeks to identify best practice, through benchmarking and the involvement of representatives from other organisations in service reviews.</p> <p>Service reviews have delivered real and measurable benefits in terms of cost and/or quality improvements.</p>
5.3 Does the plan set out how effective use of resources and value for money will be demonstrated?	<p>The plan contains general commitments to improved VFM and Best Value, but does not specify how this will be achieved or measured.</p>	<p>The plan contains commitments to improved VFM and Best Value, setting out clearly how this will be achieved and measured.</p>	<p>The plan includes targets and benchmarks with comparable organisations.</p>

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
6. Does the organisation have a clear understanding of the costs it incurs, including its cost drivers and how costs change in response to changing levels of activity?			
6.1 How does the organisation identify and analyse its costs across all key services that it provides?	The organisation has the information to routinely identify and analyse its costs across all the key services it provides. It has basic understanding of its cost drivers and how costs respond to changing levels of activity.	The organisation understands the costs incurred in delivering each of its key services and how costs change in response to changing levels of activity. It uses this information to inform financial planning, evaluate alternative policies, programmes and activities, and to identify efficiency savings.	In order to help meaningful benchmarking, the organisation seeks to analyse its costs in a manner consistent with other similar organisations.
6.2 How are cost implications taken into account when making key policy decisions?	Key policy decisions are usually informed by basic financial analysis of their cost implications.	The organisation systematically and routinely provides financial analysis to inform policy decisions. The financial implications of key policy decisions are considered at appropriate levels within the organisation eg Board or equivalent.	The organisation uses high quality financial modelling techniques to support policy decisions and continually reviews these methods in the light of previous outturns.
6.3 What information is provided to managers to help them monitor budgets?	Managers are routinely provided with timely and accurate statements of outturn against budget.	Managers are routinely provided with relevant, timely and accurate cost information which includes comparison of outturn against budget and variance analysis. Areas of high costs are scrutinised and reviewed on a regular basis. The organisation is seeking to further develop the financial analysis it provides.	Managers are routinely provided with relevant, timely and accurate cost information which includes comparison of outturn against budget, variance analysis and identified areas of high cost. The cost information provides a full analysis of the costs incurred in pursuing individual operational performance targets and key outputs.

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
6.4 How does the organisation check that its costs are in line with those of other bodies?	The organisation carries out some benchmarking in key areas, but these tend to be part of service reviews, rather embedded in regular monitoring activities. Costs for key services are not significantly higher than other organisations providing similar levels and standards of service.	Costs of key services are subject to a regular programme of benchmarking. They demonstrate good value compared with other organisations providing similar levels and standards of services, allowing for the local context.	Costs of key services are subject to a regular programme of benchmarking. They demonstrate good value compared with other organisations providing similar levels and standards of services, allowing for the local context. The organisation takes a leading role in benchmarking clubs and other mechanisms to improve its value for money.

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
7. Does the organisation subject proposed new investments to a robust investment appraisal process and operate good project management over approved investments?			
7.1 How are all proposed new investments subject to a robust appraisal of costs and benefits (financial and non-financial)?	<p>Basic business cases are prepared for all proposed new investments.</p> <p>Investment appraisals include some broad projections on whole-life costs and their impact on revenue and capital budgets is not routinely considered.</p>	<p>Investment appraisals include detailed projections of whole-life costs and their impact on revenue and capital budgets.</p> <p>The business case clearly articulates a vision for the project/programme which is linked to the overall strategy for the organisation.</p> <p>The organisation is seeking to improve its investment appraisal processes.</p>	<p>Whole-life costs and their impact on revenue and capital budgets are used to help prioritise the capital programme.</p>
7.2 How does the investment appraisal process take into account the risks and potential changes for individual projects?	<p>Business cases includes basic sensitivity analysis and risk appraisal. There is a clear recommended option which is supported by the analysis provided.</p>	<p>Project risks are aligned with the corporate risk framework.</p> <p>Significant changes in projects and their impact are reported to senior managers and members. Action is taken to help mitigate these evolving risks.</p> <p>The organisation is seeking to develop how it considers risk and sensitivity analysis as part of its investment appraisal processes.</p>	<p>Potential changes in projects and their potential impact on the organisation's financial risks are regularly monitored and reported to senior managers and members.</p> <p>Significant changes in projects do not take place until their impact has been assessed and approved by senior managers and members.</p>
7.3 How are projects monitored to ensure that they remain on track and realise their anticipated benefits?	<p>A set of clear milestones and budgetary costs is used by senior managers to monitor projects. Action is taken to address significant variations.</p>	<p>Significant overruns in costs and timescales, and their impact on anticipated benefits, are reported to members.</p>	<p>Post-project reviews are carried out to assess whether or not the anticipated benefits were realised. The results of these reviews are used to help shape future projects and business cases.</p>

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
8. Is there evidence that through regular testing of its financial systems, the organisation reports outputs that are timely, accurate, reliable, clear, in a convenient format (hard copy and online, in summary and in detail, as appropriate) and readily understood by their recipients?			
8.1 Is financial monitoring and forecasting information up-to-date?	<p>Budget monitoring reports are provided to managers within a few days of the period end.</p> <p>Budget monitoring reports are provided to members within a month of the period end.</p>	<p>Real-time budget monitoring reports are available to managers.</p> <p>Where appropriate, significant issues are reported to senior managers and members in advance of the standard monitoring timetable.</p>	<p>In addition to standard reports, managers can use the real-time system to produce bespoke reports.</p>
8.2 Does the format and content of internal financial reporting reflect the committee and/or departmental structure, and does it provide users with a suitable mix of narrative and financial information?	<p>Detailed financial monitoring reports are produced for managers and members. These provide an analysis of budgets and actual and projected cost, in line with departmental or committee structures.</p> <p>Narrative commentary summarising the reasons for major under or overspends accompanies the financial reports.</p>	<p>In addition to detailed analyses, summary financial reports are produced for senior managers and members. These highlight key variances, their underlying causes, and an outline of proposed remedial action.</p>	<p>Financial monitoring reports make use of tables and graphs in order to help highlight key issues for senior managers and members.</p> <p>Anticipated, as well as actual, variances are addressed.</p>
8.3 Does financial monitoring include good quality forecasting covering cost pressures, commitments and opportunities for the remainder of the year, and is this subject to quality check?	<p>Periodic budget monitoring reports require projected figures to be recorded for each service or department, together with a narrative comment regarding the cost pressures and options to take remedial action.</p>	<p>Periodic budget monitoring reports require projected figures to be recorded for each service or department, together with a narrative comment regarding the cost pressures and options to take remedial action. Each budget holder is also required to project each line on their budget each reporting period.</p>	<p>The budget monitoring process also incorporates sensitivity analysis which is reviewed each period.</p>

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
8.4 Is the overall annual budget clearly delegated to identified budget holders who are at an appropriate level to control expenditure, and are all budget holders provided with regular monitoring reports?	<p>All budget holders throughout the organisation are clearly identified and are provided with regular budget monitoring reports.</p> <p>The annual budget is reconciled to the sum of the budgets allocated to each budget holder.</p>	<p>Each department/ service budget is clearly delegated to identified budget holders who are at an appropriate position within the organisation to monitor the budget. This is regularly reviewed to reflect changing circumstances and to ensure that the size of budget delegated is commensurate with skills and experience.</p>	<p>Evidence clearly demonstrates that all budget holders are consulted during the budget process regarding their budget, and have the opportunity to make suggestions or adjustments.</p>
8.5 How is key information (including savings and efficiency gains) presented in monitoring reports?	<p>Periodic financial reports to users contain budget, phased budget to date, actual to date, forecast for year, and projected over or underspend. Brief narratives are provided to explain variances.</p>	<p>A suite of financial reports are prepared monthly, with different levels of detail for different audiences.</p> <p>A specific section of monitoring reports addresses savings and efficiency targets.</p> <p>In addition to detailed financial reports, an overall summary provides a picture of the organisation as a whole, and highlights the key threats to achieving budget objectives.</p>	<p>In addition to financial information, monitoring reports also address non-financial outcomes, seeking to assess issues of productivity, effectiveness and efficiency.</p>

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
<p>9. There is appropriate and timely reporting on key variances, and there is evidence that these are acted upon. Members receive accrued financial monitoring reports at appropriate key points during the year, including significant revenue account items and balances.</p>			
<p>9.1 How does the organisation ensure that action is taken to address significant budget variances?</p>	<p>All income and expenditure variances over a pre-determined amount or % require to be reported to management.</p>	<p>Trend analysis and reports are produced each period by the finance department, and are issued to departments to explain any unusual patterns or variances.</p>	<p>Budget holders are consulted during the budget process and thus have some ownership of their budgets. Variances or ongoing cost pressures are acted upon rather than merely reported.</p>
<p>9.2 Is there a no history of in year overspends by departments that require to be bailed out from other services or from centrally held budgets</p>	<p>The organisation has standard procedures and approval limits regarding the levels of virement that can be transferred within or between departments. This is used to manage overspends in one department that can be offset by underspends elsewhere in the budget.</p>	<p>In year overspends are identified and highlighted on every quarterly/periodic reporting cycle. Action being taken to address this, together with the ultimate impact on the final outturn for the year, is highlighted to members.</p> <p>The organisation has taken steps to address unsustainable levels of spending. This is demonstrated through a reduction in the overspend, or the organisation now being in surplus</p>	<p>Any departmental overspends in recent years, together with new/ongoing factors that could have an impact on the current year's budget are highlighted in advance of the budget setting process. This has reduced the significance of any in year variances.</p> <p>The organisation's financial reporting system supports the claims, from a series of strategic efficiency/ best value reviews in recent years, to comprehensively address unsustainable spending levels</p>

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
10. The organisation provides financial information and reports that is accurate, timely, and meets the needs of users.			
10.1 Does the organisation have a history of unqualified audit reports, indicating that the accounts meet statutory requirements, financial reporting standards and present fairly, or give a true and fair view of, the financial position?	The organisation's accounts meet statutory requirements, relevant accounting and reporting standards and present fairly the financial position. The published statements include an unqualified audit opinion.	The quality of draft accounts, and supporting evidence, submitted for audit meet good professional standards. Key issues are highlighted in advance to the auditors. This enables the audit to be completed in a straightforward manner.	The quality of the accounts, and supporting evidence, submitted for audit is exemplary. This allows the audit to be completed quickly and efficiently.
10.2 Has the organisation identified the financial information that will meet the needs of the differing requirements of users of the financial statements, including members, who require to manage the strategic direction of the organisation?	The organisation provides a range of financial information in both its annual financial statements and in other internal and external financial performance reporting documents. The information provided is based on statutory requirements, plus further financial information which the organisation considers will be useful to users.	As for BP. The finance department meets the recipients of reports (internal and external) to gain a full understanding of their requirements. Based on this, the finance department determines and delivers the information that can be reasonably provided within the resources and timescales available.	As for IP. In addition, the organisation provides a range of financial benchmarking information and costing information to enable users to compare the financial performance of the organisation against others. Reports also flag up emerging risks and opportunities as they are identified.

Best Value Toolkit: Assessment Matrix – Financial management

	Basic practice	Better practice	Advanced practice
11. There is a clear link between financial and performance reporting, and does this demonstrate the effectiveness and impact of the organisation's use of its financial resources?			
11.1 Does the external reporting provide stakeholders with information which includes: <ul style="list-style-type: none"> • Links between the financial information and the organisation's stated strategy • Quantified data that supports the qualitative statements • Metrics that illustrate performance against peers • A statement of future ambitions 	<p>Reporting information is based on data from the core financial systems and from a range of systems which can be used to collate performance information.</p> <p>A basic picture can be gained of how the organisation has deployed its financial resources in order to achieve its objectives</p>	<p>Reporting information is based on a co-ordinated performance monitoring and reporting system, and makes a clear link between the organisation's consumption of financial resources and its achievements in meeting its objectives.</p>	<p>The organisation has developed a small number of focused key financial (and non-financial) indicators to monitor performance and support decision making. These are linked to the organisation's strategic objectives.</p> <p>External reporting demonstrates not only that the organisation has met its planned objectives, but also that it has brought about a significant positive impact upon its area of operation and that it continues to innovate in its field.</p>
11.2 Are the financial aspects of public performance reports clear, relevant and concise? Do they provide the reader with high quality, easy to understand commentary and analysis?	<p>Directors/members and stakeholders receive financial reports that are clear, relevant and concise, highlighting the key financial and performance issues.</p>	<p>Directors/members and stakeholders receive financial reports that are clear, relevant and concise, highlighting the key financial and performance issues. Reports include appropriate analysis and a commentary which is clear, concise and understandable</p>	<p>Directors/members and stakeholders receive financial reports that are clear, relevant and concise, highlighting the key financial and performance issues and all risks of which they need to be aware. Organisational performance is clearly and economically presented, and is put into financial context through the use of benchmark data, trends over years, diagrams, graphs etc which simplify and effectively provide contextual financial information.</p>

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