



Accounts Commission: Best Value 2

BV2 Consultation Analysis and Proposed Accounts Commission Responses – August 2009



Accountability and performance



The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 41 joint boards (including police and fire and rescue services). Local authorities spend over £19 billion of public funds a year.

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Foreword

Local authorities in Scotland have a statutory duty to deliver best value and continuous improvement in their services. The Accounts Commission has now completed audits of Best Value and Community Planning in every council in Scotland. These report to the public how well their council is managed, how good its services are and whether services are improving.

Earlier this year the Accounts Commission consulted councils, consumer organisations, the Scottish Government and other interested parties on our proposals for the further development of the Best Value audits (BV2).

This paper sets out our initial analysis of the responses received to its BV2 consultation document and the key points that were raised at our recent consultation meetings with council leaders, Chief Executives and other interested parties. It also sets out the actions that we plan to take in response to the points made by those who responded.

We are encouraged by the broad support for the overall direction of travel set out in our initial proposals:

- our ambition to deliver streamlined scrutiny through shared risk assessments with scrutiny partners (Her Majesty's Inspectorate of Education (HMIE), Social Work Inspection Agency (SWIA), Scottish Housing Regulator (SHR), and the Care Commission)
- our conclusion that self-evaluation and improvement support need to feature more strongly in the audit
- the proposed introduction of peer involvement as part of BV2
- the stronger focus on services and outcomes and on partnership working as part of BV2
- a stronger voice for citizens and service users.

We recognise that councils would welcome further information on how BV2 will operate in practice, for example, the proposed new judgements on 'direction and pace of change' and 'capacity for future improvement', and the practical implementation of peer involvement. We will therefore continue to engage with COSLA and SOLACE on these matters as our thinking develops and we test out our new approaches through the BV2 Pathfinder audits.

We have received many representations that we need to reconsider our proposed approach to auditing equalities and sustainability as part of BV2. We have also received strong, but very mixed, feedback on how best to ensure that BV2 reflects the views of citizens and service users. We will therefore consider and discuss these further with key stakeholders before we finalise our approach to BV2.

We are encouraged that the consultation feedback recognises that for us to deliver streamlined scrutiny many councils will need to strengthen their self evaluation and performance management arrangements.

Councils have also made clear that we will need to consider carefully the impact of the recession as we finalise our approach to BV2. We will be doing that.

There were also important comments about how the Commission carries out its business and engages with councils, both as individual organisations and collectively with the local government community. We will reflect carefully on those messages.

On behalf of the Commission I would like to thank everyone who took the time to respond to this consultation exercise and to attend one of the recent consultation meetings. This valuable feedback will help us shape the development of BV2 and ensure that our audits continue to contribute to improving local government throughout Scotland. We are testing our initial proposals through the five Pathfinder BV 2 audits and will continue to engage with COSLA, SOLACE, Consumer Focus Scotland and the Scottish Government throughout the ongoing development of the BV2 audit approach.

This paper on the progress of our proposals to date will be placed on the Audit Scotland website and we shall announce our final decisions about BV2 early in 2010.

A handwritten signature in black ink, appearing to read 'John Baillie', with a horizontal line extending to the right from the end of the signature.

John Baillie
Chair, Accounts Commission for Scotland

Introduction

The first phase of Best Value audits is now complete, and its findings have helped us to decide the scope and approach for BV2 audits. BV2 takes account of changes in local government in Scotland between 2003 and 2009, such as new relationships between national government and local authorities, and the increased focus on outcomes and the views of citizens and service users arising from the Crerar scrutiny review.

Although Best Value is about much more than financial efficiency, this remains a fundamental element of our audit approach. BV2 will focus on local authorities' performance in providing high-quality services while delivering value for money.

We have worked closely with our local government scrutiny partners to develop BV2: HM Inspectorate of Education (HMIE), the Social Work Inspection Agency (SWIA), the Scottish Housing Regulator (SHR), the Care Commission, and HM Inspectorate of Constabulary for Scotland (HMICS).

We issued our Best Value 2 proposals for consultation earlier this year¹. A wide range of organisation (see Exhibit 1 below) responded to our consultation, which ran from 31st March to the 31st May 2009. About half the responses were from councils and the remainder from other bodies with an interest in best value in local government.

Exhibit 1

BV2 Consultation respondents

Respondent type	Number	%
Councils	29	56
Professional Accountancy bodies	5	10
Local Government community planning bodies	3	6
Audit providers	2	4
Consumer groups	1	2
COSLA/SOLACE	1	2
Scottish Government	1	2
Improvement Bodies	1	2
Sustainability bodies	3	6
Professional Associations	1	2
Inspectorates	1	2
Ombudsman	1	2
UK Audit Agencies	1	2
Voluntary sector umbrella organisation	1	2
<i>Total</i>	<i>51</i>	<i>100</i>

Source: Audit Scotland

In June, following the closing date for consultation returns, the Commission held three meetings at Perth, Motherwell and Edinburgh to discuss its BV2 proposals. These meetings were well attended, with most councils represented by Leaders and Chief Executives. Representatives from other scrutiny bodies also attended.

¹ *Accounts Commission (2009) Best Value 2: Proposals for consultation (Edinburgh)*

The matters raised at these meetings are summarised in Appendix 3 and these have been taken into account by the Commission in considering the shape of BV2.

In July and August meeting were also held with COSLA, SOLACE, Consumer Focus Scotland and the Scottish Government to discuss their responses to the BV2 consultation process.

The remainder of this document sets out the issues raised in response to the BV2 consultation document and at the various BV2 consultation meetings.

Where we are able to indicate our settled position on the issues raised, the response is set out here. However, in a number of areas final decisions will need to wait until the BV2 Pathfinders are concluded and have been evaluated. Those areas are set out too, as are the matters which require further consultation and engagement with interested parties including COSLA, SOLACE, Consumer Focus Scotland, the Equalities and Human Rights Commission, Sustainable Scotland Network and Sustainable Development Commission.

The next steps for the BV2 audit development process are summarised on page 17 of this document.

Overview of responses

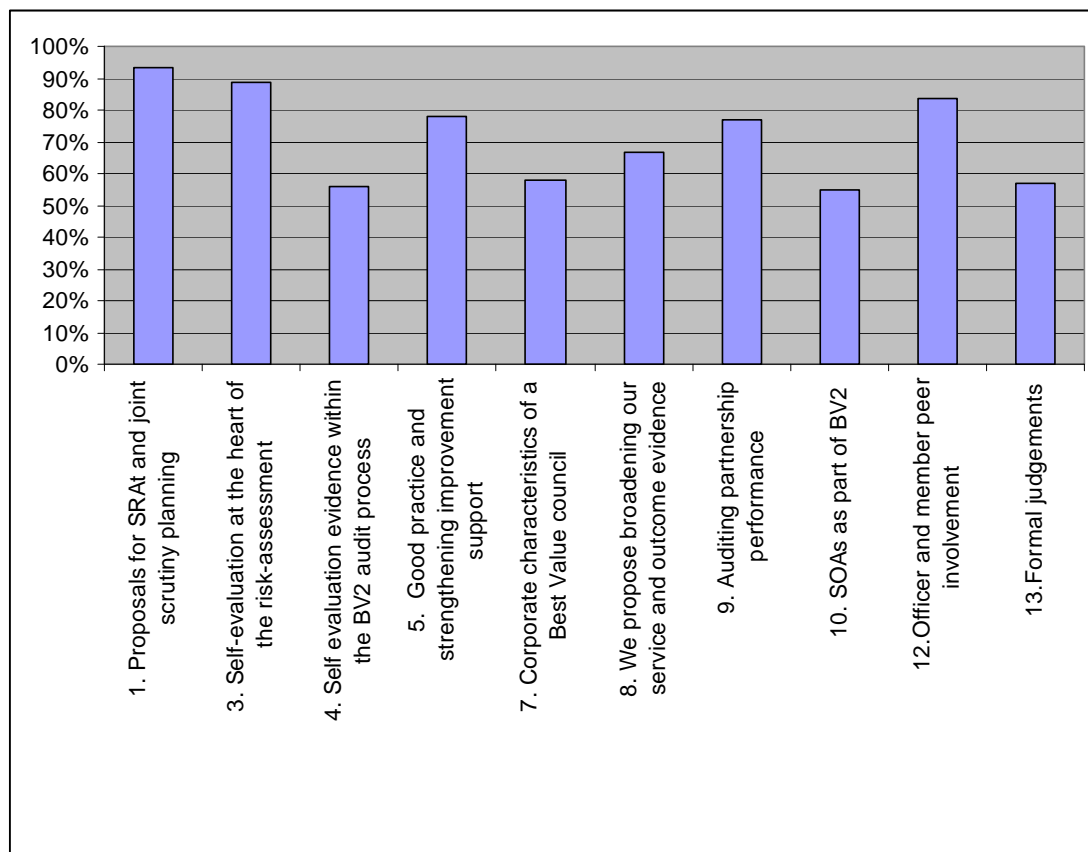
The BV2 proposals for consultation invited responses to 19 questions about the Commission's proposed approach to BV2. Our analysis of the responses and the questions themselves are set out at Appendix 2.

The consultation posed questions about our proposals (e.g. how do you view our proposals for shared risk-assessment?) and requested views on specific aspects of our proposals (e.g. how to disseminate good practice?). The analysis includes a quantitative breakdown of the responses for each question (agree, disagree, neither agree nor disagree, do not know and not applicable); and describes issues and comments raised by respondents with some indication of the numbers of respondents making each point.

There was strong overall support for the direction of travel set out in the BV2 Consultation document (Exhibit 2).

Exhibit 2

Headline consultation responses: percentages of respondents indicating agreement to proposed BV2 developments



Source: Audit Scotland

However, councils have called for further information on how aspects of BV2 will operate in practice. Councils are looking for feedback on how the BV2 Pathfinder audits are working and any lessons that are emerging through the testing of the BV2 audit model. We will continue to engage with COSLA and SOLACE throughout the Pathfinder process as a means of keeping local government informed of progress made and lessons that are being learnt.

Shared Risk Assessment and Joint Scrutiny Planning

There was almost universal support (93%) for the proposal that the BV2 audit process be founded on an annual shared risk assessment, updated annually involving all relevant scrutiny bodies, with the remaining 7% of respondents finding this question not applicable to them, but widespread frustration at the perceived pace of change to date in delivering overall reductions in scrutiny activity.

Unsurprisingly, given that shared risk assessment (SRA) and joint scrutiny planning are currently being tested at the five Best Value Pathfinder audits (Angus Council, Dundee City Council, East Ayrshire Council, The Highland Council, Scottish Borders Council) and two dedicated SRA sites (Fife Council and West Dunbartonshire Council), the consultation document prompted many questions about the precise detail of how the system might operate. These include what weighting will be given to different pieces of evidence; what will the outputs from the process look like and suggestions highlighting the issues that need to be considered moving forward (the role of councils in the process, integration of risk assessment across scrutiny bodies).

The SRA process is central to the broader scrutiny streamlining agenda, as it is through this process that more proportionate and better co-ordinated scrutiny will be delivered. Implementation of the SRA process is being overseen by the strategic scrutiny group which consists of the Accounts Commission (Chair), Audit Scotland, Care Commission, Her Majesty's Inspectorate of Education (HMIE), Scottish Housing Regulator (SHR), Social Work Inspection Agency (SWIA), Her Majesty's Inspectorate of Constabulary for Scotland (HMICS), NHS Quality Improvement Scotland (NHS QIS) and the Scottish Government.

This group will be holding a series of events later in the year to explain what lessons have been learnt from the joint scrutiny Round Tables which have been taking place in June and July to underpin the SRA development process at Fife and West Dunbartonshire, and inform the scoping of the five BV2 Pathfinder audits.

Those events will also explain how the SRA and joint scrutiny planning process will be rolled out to the remaining 25 Scottish Councils late in 2009 so that by spring 2010 a three year rolling scrutiny Assurance and Improvement plan has been agreed with all Scottish councils.

Self Evaluation

Rigorous self-evaluation should be a central part of councils' performance management to support continuous improvement. We will draw on the Reducing Burdens Action Group (RBAG) self-evaluation principles when reviewing and assessing self evaluation evidence (Exhibit 3).

Exhibit 3

Reducing Burdens Action Group (RBAG) Self-Evaluation Principles

To be effective, self-evaluation will meet the following principles:

Culture

- be embedded in the culture of the organisation
- be a continuous, systematic process as opposed to an event

Design

- be focussed on outcomes for and the experiences of service users/ citizens
- support the achievement of organisational or partnership objectives
- be 'owned' by those carrying out the self-evaluation
- lead to targeted action, improvement and future planning
- be flexible and have the scope to recognise differences in service levels and types
- be built on existing good practice and relevant existing standards
- be rigorous, comprehensive, systematic and transparent
- be based on a wide range of evidence

Accountability

- dovetail with the essential functions of external scrutiny bodies to ensure that those who need less scrutiny get less scrutiny
- be integrated with, and form part of, the organisational or partnership performance management and public reporting arrangements

Process

- be participative
- be focused on identifying strengths and weaknesses or areas for improvement
- involve a wide range of stakeholders
- be recorded and reported

Source: Reducing Burden Action Group final report, Scottish Government, October 2008

The consultation process strongly supported the proposal that self evaluation evidence be placed at the heart of the risk-assessment process (89% support) with a clear sense that local government would like to see a consistent approach to self evaluation adopted across the sector.

We acknowledge the increased use of the Public Service Improvement Framework (PSIF) as a self evaluation tool, both within service departments and corporately across authorities, but recognise that other approaches such as the European Foundation for Quality Management (EFQM) Excellence Model, and How Good is our Council (HGIOC) are also being used successfully by some councils. Local choice is important and we do not wish to impose a standard approach to self evaluation as part of the BV audit process. What matters is that self evaluation is robust, and that it works for councils and their partners in terms of delivering demonstrable improvements in outcomes for local people.

We recognise the concern about a potential self-evaluation 'burden' if self evaluation is done simply to support scrutiny processes. We do not want councils to undertake specific self-evaluation activity in preparation for BV2 audits; councils should be undertaking self evaluation for themselves to inform their ongoing challenge and improvement work. For that reason, at the BV2 Pathfinder audits we have not asked for a BV2 submission in advance of

the audit. Instead, we have asked Pathfinder councils to provide existing self evaluation evidence to the BV audit team and 'sign-post' any additional performance and improvement evidence which they feel is relevant.

Councils told us that they want to know more about how their self evaluation will feed into scrutiny risk assessments and contribute to more proportionate and streamlined scrutiny. We have now had the opportunity of testing our shared risk assessment (SRA) model, drawing on self evaluation evidence, at the five Best Value Pathfinder audits (Angus Council, Dundee City Council, East Ayrshire Council, The Highland Council, Scottish Borders Council) and two dedicated SRA sites (Fife Council and West Dunbartonshire Council). This has given us useful insights into how we can draw on self evaluation evidence to deliver more proportionate scrutiny which we will be sharing with councils at a joint scrutiny planning launch event which is planned this winter.

There was a recognition both in written responses and at BV2 consultation meetings that it will take time for self evaluation processes to be maturely embedded and that there will remain a need for some degree of independent assessment and challenge of self evaluation evidence.

For that reason, councils will receive constructive feedback on how self evaluation evidence has been used to inform the scope of BV2 audit activity. Auditors and inspectors will provide some assessment of the quality of self-evaluation evidence and the arrangements underpinning them to help councils and their partners refine and improve their self evaluation processes.

There was some support in the consultation response for assisted self evaluation, i.e. auditors and inspectors participating in self-evaluation activity, to help build local government self evaluation capacity. We recognise the value that this process may bring in relation to service-based assessments, but are concerned that direct involvement in self evaluation might compromise, or be seen by the public and other interested parties, to compromise our independence.

Good practice

Whilst there is broad support for our proposed approach to identifying and disseminating good practice (78% agree) a strong theme in councils' responses was the need for the Commission and Audit Scotland to work in partnership with the Improvement Service to avoid duplication of effort and maximise the value and impact of BV2 good practice evidence.

A number of useful suggestions were made in the consultation feedback about other approaches to supporting improvement that might be introduced, above and beyond those set out in our proposals. Some of those, such as the facilitation of 'communities of best practice' might sit better with the Improvement Service, rather than an independent audit body. Others, such as the establishment of a Best Value Forum, will be given careful consideration prior to full roll-out of BV2 in 2010.

We are seeking to agree a Memorandum of Understanding (MoU) with the Improvement Service which will set out how we intend to work efficiently together to address the issues raised in the BV2 consultation process.

Corporate BV2 Characteristics

There was general support for our definition of the corporate characteristics of a BV2 council, with almost sixty per cent respondents agreeing with them and only 5 per cent disagreeing.

A strong theme in the consultation responses was the need for the Scottish Government and other interested parties to consider refreshing the Best Value statutory guidance issued in 2004, alongside the proposed BV2 characteristics, to provide a clear shared set of expectations about the characteristics of a Best Value council.

We have discussed this issue with the Scottish Government, which is currently considering the merits of establishing a review of this kind.

Service Performance and Outcomes

There was general support for our proposed approach to broadening the evidence base for service performance and outcomes assessments, alongside the proposed joint working with inspectorates. Almost seventy per cent of respondents agreed with our proposals, and only 5 per cent disagreed.

Issues were raised about the availability and quality of outcome data, which we recognise. The importance of drawing on the views of citizens when forming these judgements was also raised. This will be tested through the BV2 Pathfinder process, where we will be seeking to report more fully on the views of citizens and service users in each Pathfinder Best Value audit report.

Auditing Partnerships

There was general support for our proposed approach to extending the scope of our BV2 audit to move beyond assessing community planning arrangements and provide a clearer focus on the contribution that partners are making to community planning and partnership activity (75% approval, 2% disagreed).

Concerns were raised about councils potentially being held to account for the failure of partners to deliver on their commitments, when it is something over which the council has no control. We recognise that concern and will ensure that judgements that are made fully reflect local circumstances.

Some respondents suggested that we should increase the pace of change towards full area-based assessments, in recognition of the increased significance of partnership working in the context of Single Outcome Agreements (SOAs).

We are developing our new approach to auditing partnerships in the BV2 Pathfinders and following those audits will consider whether, and, if so, how quickly, we should seek to extend the partnership and area focus of BV2. As the Auditor General for Scotland (AGS) is responsible for the audits of a number of key community planning partners, notably NHS bodies and key NDPBs/agencies, any development of that kind would have to be considered in consultation with him. We have already agreed a set of common principles for the audit of Best Value that can apply to all public bodies with the AGS which provide a platform for developments of this kind.

Single Outcome Agreements (SOAs)

There was general support for our step-wise approach to reflecting Single Outcome Agreements (SOAs) as part of BV2, recognising the early stages of development of the SOA process.

Many respondents stressed that at this stage of the process it may be difficult to form definitive outcome assessments, partly because some outcomes are long-term in nature, and also because there may be gaps in available performance data.

Some respondents stressed the need to consider outcomes more generally rather than focusing too heavily on SOAs which, whilst an important vehicle, are only one aspect of planning for and managing outcomes.

There were a small number of competing views arguing that we should be moving more quickly to a fully outcome-based audit. These were in the minority.

We propose proceeding on the basis as set out in the BV2 consultation document, whilst keeping this issue under review as the SOA process matures over time.

The Views of Citizens and Service Users

This was a topic which provoked strong, but very mixed, reactions. Some respondents were very clear that the role of the audit is to review the quality and effectiveness of the arrangements that councils have in place to gather and respond to the views of citizens and service users. Others, by contrast argued that citizens and service users should participate in the audit and that the Commission should be directly gathering and assessing the views of local people on their council and the quality of its services.

Concerns were expressed by some on placing excessive reliance on the views and perceptions of citizens and service users, as against other empirical data. Others argued that citizens and service user views should be paramount.

We will be testing out a range of different approaches to assessing and reporting the views of citizens and service users as part of the BV2 Pathfinder audits, and will consult further with key stakeholders including Consumer Focus Scotland and councils before determining our final approach for BV2.

Following our discussions with Consumer Focus Scotland on their response to the BV2 consultation document we are also considering how best to ensure that the views of citizens and service users are reflected in the quality assurance and challenge processes that feature as part of the BV2 audit process.

We are also working with Consumer Focus Scotland to develop options for more citizen-friendly reporting as part of BV2.

Elected Member and Officer Peer Involvement

There was overwhelming support for the introduction of peer involvement as part of BV2 (84% in agreement), but with considerable practical challenges highlighted, particularly in relation to the use of elected members within audit teams.

We are persuaded that the benefits of, and support for, peer involvement are such that peer involvement arrangements should be tested as part of the BV2 Pathfinder audit process. We shall therefore involve peers in a variety of roles in the BV2 Pathfinder audits.

We acknowledge and understand the challenges that these proposals present and are working with COSLA and SOLACE to ensure that appropriate support is given to Pathfinder peers. We will also be considering the implications of introducing peer involvement on our quality systems and processes to ensure that the independent reputation of the BV audit process is maintained.

We will evaluate the effectiveness of peer involvement in the Pathfinders and fine tune our approach accordingly prior to full BV2 roll-out in 2010.

Proposed New Judgements on 'Direction and pace of change' and 'Capacity for future Improvement'

We consulted on whether we should introduce clearer judgements for reporting council performance as part of BV2, covering two dimensions of performance:

- A **direction and pace of change** judgement, based on the council's record in securing continuous improvement in its services. Inherent in that judgement will be an assessment of how well the council is currently performing.
- A **capacity for future improvement** judgement, based on the prospect of further improvement.

We made clear that the judgements would take account of:

- local circumstances within individual councils
- performance across all elements of the corporate assessment framework
- corporate capacity and service performance

We indicated that we were not attracted to introducing a rules-based framework for arriving at these judgements, as we believe this would run the risk of 'gaming' and distorting council priorities. We recognise that we need to be clear about the sources of evidence that will be used to inform these new judgements. The new judgements will be subject to a transparent moderation process to ensure consistency of approach between councils and over time.

The consultation responses broadly support the new judgements (57% support for, 11% against), but with a request for further information to be provided on how the process might operate (included more details on the evidence base that will support the judgements). Some concern was expressed that if not handled carefully the new judgements might lead to 'league tables' being created. Several respondents highlighted the difficult balance that needs to be struck between recognising local context and the position that individual councils are at in their 'improvement journey', whilst at the same time making fair and equitable judgements.

Three illustrative options for presenting the new judgements were set out in the consultation document, running from 'narrative and bespoke' judgements through to a fully codified rules-based framework. There was overwhelming support for Option 2, a narrative but standardised judgement.

Given the clear preference for Option 2 expressed in the consultation feedback we are currently working on more detailed proposals on how such a narrative but standardised set of

judgements might operate (included details on the evidence base that will support the judgements). This is likely to involve the setting out of a clear set of performance characteristics that we would expect councils to demonstrate in each of the assessment domains. This approach would provide transparency to both councils and local people about how the new arrangements will operate.

We will continue to engage with COSLA, SOLACE, and the Scottish Government in developing these proposals which will be tested through the BV2 Pathfinder process.

Following the Pathfinder process we will publish detailed proposals of how we intend to introduce and apply these two new judgements using a narrative but standardised judgement. This is likely to be early in 2010.

The Role of the Commission

We consulted on what changes you would like to see in how the Accounts Commission handles Best Value audits and its relations with councils. The main issues raised were for improved relationships with councils and greater transparency of the work of the Commission. Councils also seek improved communication and contact, including outwith audit times; consultation on media releases; keeping councils informed of pathfinder developments and the possible use of seminars to disseminate information about the Commission and its work.

A specific issue of concern raised in the consultation responses related to perceived inconsistency between draft reports, the Controller of Audit report and the Commission findings. This is an important point which we will reflect on as we consider our role in BV2, an important aspect of which is to act as an independent check and balance on the work of Audit Scotland.

Some concern was also expressed over the length of the audit process, in terms of the elapsed time between the initiation of some individual Best Value audits and the publication of the final audit report. Whilst our performance in this area has seen improvements as the Best Value audit process has matured, we recognise the importance that councils place on timely reporting and it will remain a key area of focus in BV2.

The commission has greatly valued the direct contact that it has had with each council to discuss its initial BV report. We will be reviewing our role in BV2 and will take these consultation responses into account. When the final decisions about BV2 are published we will provide information about the procedures the Commission will follow in overseeing BV2 and in handling individual audit reports and its engagement with councils.

Fee Regime

The consultation asked what changes, if any, you would like to see to the fee regime for BV2. A number of respondents wanted the structure to remain the same however the majority felt that if proposals for BV2 are to be more proportionate and risk based then a new fee regime should be implemented to reflect this.

Given the current funding mechanisms for BV audits which is on a capitation basis it is not straightforward to move to a fee regime which is wholly proportionate and risk-based. To do so would require discussion and agreement with COSLA and the Scottish Government. We will raise these issues as we consult with them on the further development of our BV2 proposals. We will reach a settled position before the next audit appointments which take effect in 2011/12.

Sustainability

The proposals relating to sustainability in the consultation attracted significant comment. Comments focused on three main areas: integrating sustainability into consideration of all aspects of an organisation's operations; the emphasis on the environmental aspects of sustainability; and terminology.

A number of comments suggested that sustainability should be integrated across the whole audit of an organisation rather than being treated as a "bolt-on" and that the BV2 characteristics should include sustainability. The Commission agree with this and our BV2 sustainability framework has been designed so that it can be integrated across all five corporate assessment criteria (vision and strategic direction, partnership working and community leadership, governance and accountability, use of resources and performance management and improvement.)

The consultation document referred to future Best Value audits having a "focus on environmental sustainability". Comments suggested that the focus should also include social or economic issues. Our proposal is to emphasise the environmental aspects of sustainability but we do not intend to replace or neglect the social and economic elements in our BV2 audit work.

Many comments suggested use of the term 'sustainable development' as that is the term used in the Local Government (Scotland) Act 2003. The use of the term sustainability reflects the Scottish Government's language around its purpose of sustainable economic growth and its two sustainability targets. This is also the term used in the national performance framework.

We will continue to work with the Sustainable Development Commission and the Sustainable Scotland Network to develop our approach to auditing sustainability.

Equalities

A number of comments suggested that equalities, like sustainability, should be integrated across the whole audit of an organisation. The Commission agree with this and our BV2 equalities framework has been designed so that it can be integrated across the five corporate assessment criteria.

In developing our approach to auditing equalities we will continue to work with the Equality and Human Rights Commission to ensure a coordinated approach where appropriate and that our respective roles are clear to councils and other interests.

Next steps

The feedback from this consultation exercise will be used to inform the five Best Value 2 Pathfinder audits which are currently underway, and the further development of our overall approach to BV2.

In many areas (e.g. our approach to auditing outcomes, the use of self evaluation evidence to inform risk assessment and joint scrutiny planning, the new approach to auditing partnerships, and the corporate BV2 characteristics), the consultation responses have signalled broad support for our proposals. These will now be tested through the Pathfinders.

In others areas, responses were more mixed: either more information was requested, or it was suggested that we should reflect further on our proposals. Specific early actions that we are taking in response to feedback of this kind include:

- **Peer involvement** – working with COSLA and SOLACE to ensure that appropriate support is given to Pathfinder peers. We will also be considering the implications of introducing peer involvement on our quality systems and processes to ensure that the independent reputation of the BV audit process is maintained.
- **Shared risk assessment (SRA) and joint scrutiny planning** - holding a series of events later in the year to explain what lessons have been learnt from the SRA development process at Fife and West Dunbartonshire, and the five BV2 Pathfinder audits. These events will also explain how the SRA and joint scrutiny planning process will be rolled out nationally later in 2009.
- **Improvement support and good practice** – working to agree a Memorandum of Understanding with the Improvement Service which will set out how we intend to work efficiently together to address the issues raised in the BV2 consultation process.
- **Citizen-focused audit** – working with Consumer Focus Scotland to ensure that the views of citizens and service users are taken into account in the quality assurance and challenges processes that feature as part of the BV2 audit process, and in the development of options for more citizen-friendly reporting as part of BV2.
- **New audit judgements** - engaging with COSLA, SOLACE, and the Scottish Government in developing our proposals for the two new audit judgements on 'direction and pace of change' and 'capacity for future improvement' which will be tested through the BV2 Pathfinder process.
- **Sustainability** - We will continue to work with the Sustainable Development Commission and the Sustainable Scotland Network as we refine our approach to auditing sustainability in light of the consultation feedback.
- **Equalities** - We will continue to work with the Equality and Human Rights Commission to ensure a coordinated approach to assessing equalities issues.

Once the BV2 Pathfinder audits have been evaluated we will be publishing our proposed approach for the roll out BV2 approach in early 2010.

Further information

Should you require any further information about this consultation response document please contact us by:

- e-mail at BV2@audit-scotland.gov.uk
- telephone: 0131 625 1861
- fax: 0845 146 1009

Appendix 1:

List of Respondents to the BV2 Consultation

Care Commission	Regulator
Henderson Loggie	Audit Partners
Scott-Moncrieff	Audit Partners
Aberdeen Civic Forum	Community Planning Partners
Community Care Providers Scotland	Community Planning Partners
NHS Grampian	Community Planning Partners
Aberdeen	Council
Aberdeenshire	Council
Angus	Council
Argyll & Bute	Council
Clackmannanshire	Council
Dumfries & Galloway	Council
Dundee	Council
East Dunbartonshire	Council
East Ayrshire	Council
East Lothian	Council
East Renfrewshire	Council
Edinburgh	Council
Falkirk	Council
Glasgow	Council
Highland	Council
Inverclyde	Council
Midlothian	Council
Moray Council	Council
North Ayrshire	Council
North Lanarkshire	Council
Orkney	Council
Perth & Kinross	Council
Renfrewshire	Council
Shetland Islands	Council
South Ayrshire	Council
South Lanarkshire	Council
Stirling	Council
West Dunbartonshire	Council
West Lothian	Council
Association for public service excellence	Local Government bodies
The Chartered Institute of Public Finance and Accountancy – Directors of finance section	Local Government accountancy body
The Chartered Institute of Public Finance and Accountancy	Local Government accountancy body
Convention of Scottish Local Authorities & Society of Local Authority Chief Executives	Local Government bodies
Institute of Chartered Accountants of Scotland	Local Government bodies
Public Service Improvement Framework (PSIF) Operational Board	Local Government bodies
Consumer Focus Scotland	Consumer organisation
Scottish Public Services Ombudsman	Ombudsman
Named individuals	Other
Institute of Internal Auditors	Professional Audit Association
Scottish Local Authorities Chief Internal Auditors' Group	Professional Audit Association
Sustainable Scotland Network	Professional Association
Scottish Government	Scottish Government
Sustainable Development Commission Scotland Network	UK sustainability Agency
Wales Audit office	UK Audit Agency
Scottish Council for Voluntary Organisations	Voluntary Sector

Appendix 2:

Summary of BV2 Consultation Responses

The consultation posed questions about our proposals (e.g. how do you view our proposals for shared risk-assessment?) and requested views on specific aspects of these proposals (e.g. how to disseminate good practice?). The information below is based on our analysis of the responses. It includes a quantitative breakdown of the responses for each question (agree, disagree, neither agree nor disagree, do not know and not applicable); and describes issues and comments raised by respondents with some indication of the numbers of respondents making that point.

The categories used in the quantitative analysis are as follows

- *agree* include responses ranging from 'broadly agree' to 'full support'
- *neither agree nor disagree* means that responses were non committal
- *disagree* refers to responses which actively disagreed with the proposed approach
- *don't know* describes responses where a view cannot be ascertained
- *not applicable* is where a respondent has indicated not applicable or has not answered.

The following table shows a breakdown of the consultation responses and identifies some of the key issues raised. The issues are not arranged in any order of importance but merely reflect the types of responses received as part of the consultation. Within the Issues, comments & common themes column there is an indication of the number of responses that contained the same or similar point.

Consultation questions	Consultation Responses	Issues, comments & common themes
<p>1. How do you view our proposals for shared risk assessment and joint scrutiny planning as a basis for streamlining the scrutiny of local government and ensuring that BV2 is more proportionate and risk- based?</p>	<p>Agree 93% Neither agree nor disagree 0% Disagree 0% Don't Know 0% Not applicable 7%</p>	<ul style="list-style-type: none"> • Anticipated reduction in burden/more proportionate and streamlined (17) • Clarification or further comment of SRA required (11) • The need to Integrate approaches with other agencies (7) • Consistency of approach needed (4) • Citizens perspective to be included in SRA (3) • Transparency of SRA process (3) • Review of the cost of implementing SRA (2) • Concern SRA will increase burden (1) • What challenge can be made to SRA findings (2) • Concern about coverage of non inspected bodies (1) • Financial risk/sustainability (2) • Use of local auditors to support SRA (2) • Move from negative judgement to helping improvement(1) • Need to take account of the Impact of the recession • Align publication schedule to council budgets(1) • SRA how will the risks be weighted (1) • Robustness of information used for SRA (1)
<p>2. Are there other factors that we need to take into account?</p>		<p>See Q1</p>
<p>3. Do you believe self-evaluation should be at the heart of the risk-assessment process?</p>	<p>Agree 89% Neither agree nor disagree 4% Disagree 0% Don't Know 0% Not applicable 7%</p>	<ul style="list-style-type: none"> • Consistency of self evaluation tool/model (8) • Maturity of self evaluation across councils (3) • Burden of self evaluation on councils (3) • Further clarification required (3) • Queries on availability of assisted self evaluation (2) • Use of external quality indicators as evidence • How weighting will applied to self evaluation

<p>4. How do you view our approach to the use of self evaluation evidence within the BV2 audit process? How might we change or further develop it?</p>	<p>Agree 56% Neither agree nor disagree 25% Disagree 5% Don't Know 5% Not applicable 9%</p>	<ul style="list-style-type: none"> • Further clarification required(11) • Consistency of approach/ single model (8) • Use of the Reducing Burdens Action Group principles (5) • Self evaluation maturity across councils (5) • Assistance with and validation of self evaluation (5) • Additional burden of self evaluation(2) • Use of internal audit to quality assure in Self evaluation • Need for a citizen focus • If there is a divergence of view, how will this be handled • What role might peers play in self evaluation
<p>5. How do you view our proposed approach to capturing and disseminating good practice and strengthening improvement support as part of BV2?</p>	<p>Agree 78% Neither agree nor disagree 2% Disagree 7% Don't Know 2% Not applicable 10%</p>	<ul style="list-style-type: none"> • Involvement of the Improvement Service (15) • Avoid mass collection of data / electronic dump (5) • Establish Communities of Practice (4) • Further clarification required (3) • Role for peer involvement (3) • Establish a best value forum (2) • Consistency of approach (2) • The need for Councils to identify their own good practice (2) • Single resource for all agencies or links between agencies (2) • Information from outwith councils and outwith Scotland • A more focused approach to identify good practice not just case studies
<p>6. What other actions should we take beyond those proposed</p>		<p>As Q5</p>
<p>7. How do you view the proposed corporate characteristics of a Best Value council as set out in appendix 1?</p>	<p>Agree 58% Neither agree nor disagree 19% Disagree 5% Don't Know 14% Not applicable 5%</p>	<ul style="list-style-type: none"> • Need for consistency of language with statutory guidance (7) • Further clarification required(4) • Include equalities & sustainability in the characteristics (3) • The need for a citizen focus • Request to Include 'good employer' as a characteristic • No need for as they exist elsewhere(e.g. in published statutory guidance) • Not set at an appropriate level • Need for plain language to be used in the characteristics • Potentially to prescriptive • The need to use of PSIF/EFQM elements as BV criteria

<p>8. We propose broadening our service and outcome evidence, and relying more on locally available data and improved joint working with inspectorates. What else should we do to improve service reporting within BV2?</p>	<p>Agree 67% Neither agree nor disagree 19% Disagree 5% Don't Know 2% Not applicable 7%</p>	<ul style="list-style-type: none"> • Further clarification required (8) • Needs a citizens focus (3) • Accountability of councils for the performance of partners (2) • The use of local data leads to a lack of comparability (2) • Need for an indication of weighting given to different sources of data • Need to recognise local priorities • Work within a standardised framework • The need for an outcomes focus • SPIs still have a role • Local data affects dissemination of good practice by lack of comparisons
<p>9. What are your views on our proposed approach to auditing partnership performance, and the longer-term direction of travel that we are signalling?</p>	<p>Agree 77% Neither agree nor disagree 16% Disagree 2% Don't Know 2% Not applicable 2%</p>	<ul style="list-style-type: none"> • Accountability of councils for partners (9) • Further clarification required (5) • Need to accelerate the pace of change (5) • All partners should be subject to the same Best Value audits(4) • Need to update Community Planning Partnership guidance (2) • Will self evaluation be used for Community Planning Partnerships • Take account of the Impact of recession on partnerships
<p>10. Is our proposed approach to considering SOAs as part of BV2 an appropriate reflection of their current status and maturity? If not, what more should we be doing?</p>	<p>Agree 55% Neither agree nor disagree 18% Disagree 15% Don't Know 0% Not applicable 12%</p>	<ul style="list-style-type: none"> • Current status/maturity of SOA (12) • Further clarification required (4) • Accountability of partners • Need to audit Scottish Government's role in SOA • Conflicting message is being given as to role of SOA in BV2 • Any judgements need to reflect the Scottish Governments sign of SOAs • Need to audit progress against outcomes • SOA's do not lead to comparative data

<p>11. What more do you think the Commission should do to take the views of citizens into account as part of BV2?</p>		<ul style="list-style-type: none"> • The need to use councils existing practice and arrangements (14) • Further clarification required (6) • Accounts Commission to establish what is good practice (4) • Improvement Service involvement (3) • Citizens should not be directly involved in audits (3) • The need to incorporate citizens views of corporate assessment • Accounts Commission to directly seek citizens views (2) • Accounts Commission should not be directly obtaining citizens views • Citizens views should impact on SRA • Use the Media to gather views • Use existing feedback from other inspectorates • Needs to be correlation between users views and audit findings • Need to take account of how citizens views are used by councils • Request for further consultation on this • Use of standard national survey across all councils • Use of external quality indicators to demonstrate success
<p>12. What issues, if any, would you like to raise about our proposals for officer and member peer involvement as part of BV2?</p>	<p style="text-align: center;"> Agree 84% Neither agree nor disagree 0% Disagree 5% Don't Know 2% Not applicable 9% </p>	<ul style="list-style-type: none"> • Potential for capacity building/development of peers and councils (7) • Potential burden on councils and peers (6) • Concern over consistency of approach (6) • Need for safeguards against peer bias (5) • Further clarification required (4) • Learn from existing models and practice (3) • Only use peers from senior level of officers or members (3) • What role do peers have to challenge audit findings (2) • There is a cost to councils (2) • Concerns regarding elected member capacity • Capacity of elected members involvement during election years • Use of improvement service (2) • Use of peers in moderation process • Appropriate training required for peers • Use of peers to audit non inspected services • Use of peer adds to audit teams expertise • Use of peers in identifying good practice • The need for transparency of the peer selection process • Use of service practitioners /partner bodies/professional bodies • Use of peers to validate self assessments

<p>12. What issues, if any, would you like to raise about our proposals for officer and member peer involvement as part of BV2?</p>	<p>Agree 84% Neither agree nor disagree 0% Disagree 5% Don't Know 2% Not applicable 9%</p>	<ul style="list-style-type: none"> • Potential for capacity building/development of peers and councils (7) • Potential burden on councils and peers (6) • Concern over consistency of approach (6) • Need for safeguards against peer bias (5) • Further clarification required (4) • Learn from existing models/practice (3) • Only use peers from senior level of officers or members (3) • Role of peers to challenge audit findings if they do not agree (2) • There is a cost to councils (2) • Elected member capacity/ elected members involvement in election years • Use of improvement service (2) • Use of peers in moderation process • Appropriate training required for peers • Use of peers to audit non inspected services • Adds to team expertise • Use of peers in identifying good practice • Transparency of peer selection process • Use of service practitioners /partner bodies/professional bodies • Use of peers to validate self assessments • Peers need to have an appropriate background
<p>13. What are your views on the proposal to introduce formal judgements on 'direction and pace of change' and 'capacity for future improvement'?</p>	<p>Agree 57% Neither agree nor disagree 21% Disagree 11% Don't Know 5% Not applicable 7%</p>	<ul style="list-style-type: none"> • Further clarification needed (9) • Needs to be evidence based and not subjective (8) • Consistent application across all audits (6) • Need to avoid league tables (4) • Need for contextual information as well as proposed judgements (2) • Concern about capacity for auditors to make the judgements • Need for clarity of language • Does not fit with risk based approach • Easier for poor performers to improve more quickly • Could detract from body of report • Encourages gaming and compliance • How do you distinguish between improvement and turn around • Need to recognise innovation • How do judgments apply to non inspected services • Identify extent to which improvement is needed • Starting points different for all councils • Needs to be transparent

14. Which of the options for reporting set out in Appendix 4 do you favour?	Option 1	Option 2	Option 3	Don't know	Not answered
	8%	64%	6%	6%	16%
15. What changes, if any, would you like to see in how we handle Best Value audits and our relations with councils?		<ul style="list-style-type: none"> • The need for consistency between commissions findings, Controller of Audit report and draft report (6) • Relations to remain the same (3) • The need for closer links with councils (2) • Consultation on press releases (2) • More joint/partnership working (2) • Shorten timescales of the audit process (2) • Need to work to allow councils to feel part of the process rather than it being done to them • Avoid audits over election periods • Clear guidance on process of an audit and the timescales involved • Formats of reports are confusing • Establish family groups to assist councils • Improve good practice identification • Learn from pathfinders • Opportunity for councils to have a say on draft reports • Demonstrate stronger evidence base for judgements • Introduce relationship management 			
16. What comments do you have on any other aspects of the Commissions work?		<ul style="list-style-type: none"> • Use of Improvement Service for benchmarking (2) • Greater transparency of Accounts Commissions work(2) • Align VFM programme to BV2 criteria • Role for the Commission in the central coordination of statistical data • Clarification of status of Improvement plans • Cross reference improvement plans with the audit report • Allow more challenge to findings • Continue to use seminars to disseminate information 			

<p>17. What changes, if any, would you like to see to the fee regime for BV2?</p>		<ul style="list-style-type: none"> • The proposed changes for BV2 should lead to a new fee regime (20) • Fees structure to remain the same (3) • Consider timing of fee announcements to fit in with council budgets • Implement a performance related fee structure • Use both population and proportionate based fee structures • The need for transparency of fees
<p>18. What further developments of our approach to auditing sustainability would you like to see introduced as part of BV2?</p>		<ul style="list-style-type: none"> • Maintain an emphasis on economic, social and environmental (19) • Sustainability should be mainstreamed (10) • Should be included in BV characteristics (5) • Further clarification required(3) • Maintain Sustainable Development label (not sustainability) • Fear councils are accountable for partners actions or inactions • Align with current legislative approach • Develop a best practice approach • Take account of the Impact of the recession • Sustainability should include Social Return on Investment • Need for close working with Sustainability commission and Sustainable Scotland Network • Requirement for the further training of auditors
<p>19. What further developments of our approach to auditing equalities would you like to see introduced as part of BV2?</p>		<ul style="list-style-type: none"> • Work with and clarify the role of the Equality and Human Rights Commission(10) • Mainstream equalities (7) • Make equalities outcome focused (3) • Need to have an awareness of local circumstances • Include in the BV characteristics • Establish good practice identification • Role for peers in auditing /identifying good practice • Assess accessibility to seldom heard groups
<p>Other Comments</p>		<ul style="list-style-type: none"> • Need to develop a balance between identifying risk and developing good practice • Need to harmonise risk frameworks between agencies • Clarification needed on relationship with Improvement Service • Constant communication to keep councils informed

		<ul style="list-style-type: none">• There is a disproportionate use of resources for smaller councils• Reports need to be less judgemental and more improvement focused• Move from auditing processes to auditing outcomes• Take account of the Impact of the recession• Take account of councils desire to protect services during a recession• A role for BV2 in choice of SPIs to be used• Transparency of the Commission• Transparency of QA & moderation process
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Issues and Themes from BV2 Consultation Meetings

Reduction in Scrutiny Burden/SRA

- Recognition that Scrutiny is a burden on councils
- Welcome the alignment of scrutiny bodies
- When (or will) SRA be published?
- What period will SRA cover?
- Will SRA lead to improved use of data amongst Inspectorates and agencies?
- Greater clarification on how exhibit 4 will be put into practice
- What weightings will be given to the different parts of the Framework (exhibit 4)?
- Will councils have right to challenge SRA findings?
- When will it happen?
- What evidence will there be that there is an actual reduction in scrutiny?
- How is the difference between inspection and audit taken account of in the SRA process?
- How is timetable affected by publication of Public Services (Scotland) reform Bill?
- How will the SRA be affected by announcements from Ministers (e.g. Child protection inspections)?
- Anticipated reduction in scrutiny will this lead to a reduction in size of scrutiny bodies
- SRA will be subject to FOI

Peer Review

- Councils comfortable with idea of peer review
- Peer review will lead to increase in burden for councils and individuals involved
- Councils not keen on use of using retired councillors or Chief executives due to the pace of change in Local Government
- Need to see more detail of how and when before commenting fully
- Need to be careful in use of peers so that there is no perceived bias
- Peers will help in sharing good practice
- Needs to be a balance in selecting peers and allowing councils to have a say in who is selected
- Need to be aware that peers may bring own agenda
- How and when will Peers be involved in the audit process?
- Councils support peer review as now used to this through involvement with other inspectorate's use of peers.
- Peer review may be important factor in quality assurances process
- No need to reinvent the wheel use of work already done by other agencies
- Peer review can add value to audit process
- Opportunity to allow personal development of individuals
- Safeguards needed on objectivity of peers
- Will peers have references taken on them?
- Councils need to agree to the peers being used in their councils
- Peer selection needs to be careful

Role of Accounts Commission

- Why are their situations in which the findings of the Commission are different and less balanced than those of the Controller of Audit reports?
- Commission needs to be more balanced and more constructive (recognition in the demoralising role a report can have)

Self Evaluation

- Self evaluation is already happening in councils

- Self evaluation needs to be validated
- Validated self evaluation as used by other agencies is a good model for driving improvement
- Self evaluation needs a citizen focus
- Self evaluation frameworks used by different agencies need to align
- Self evaluation will lead to an increase in the scrutiny burden on councils
- Who will challenge self evaluation and why?
- Needs to be embed in councils
- Self evaluation needs to be rigorous

Proposed new Audit Judgements

- Definitely the way to go
- Need to be careful not to simplistic
- Option 2 preferred as gives a more rounded judgement
- Concern over using new judgements to create league tables

Transparency of Audits

- Is the Quality Assurance process transparent?
- Need to have transparency
- Need to have clear time frames for audits
- Need for greater turn a round in speed of reporting

Impact of Recession

- What role National Government in managing expectations of what councils can deliver
- How will the impact of recession affect BV2 audits?
- Recognition of the times we are in
- Recognition that although times are tough even more important to maintain focus on continuous improvement
- Impact of recession on land deals will impact on progress of partnership working

Greater Citizen Focus

- Citizens not always aware of who delivers what therefore councils held accountable for partners actions
- Citizens more likely to voice concern than approval
- Citizens more likely to feedback when there are specific issues (school closures etc)

Auditing Partnerships

- What is the audit going to cover?
- Auditing partnerships is more important than just getting feedback from partners

Best Value Characteristics

- How will these be used n auditing councils?
- How are these to be used in auditing partnerships and community planning?

Audit Fees

- Will these be reduced if the audits are more proportionate?
- When will new fee regime be published?
- When will fees be going down?
- Will reduction in scrutiny lead to reduction in fees?

Greater Citizen Focus

- Audit Scotland should not be involved in collection of citizens views
- Use Councils existing approaches to collecting citizens views
- Audit should be about how council's are engaging with citizens and how robust their approaches are.
- Citizens panels not necessarily best way to get views of citizens
- Need a diverse range of options to gain citizen views
- Use of complaints an effective way to gain citizen input
- Impact of 'issues' on views of citizens
- A one size fits all approach will not work

Outcomes

- Outcomes are not new to councils however SOAs are
- Need to move away from processes to outcomes
- Need to be aware of current stage of development of SOAs
- Need to look at both processes and outcomes
- Difficulty of measuring long term outcomes

Use of Data

- Careful use of data and possible role of COSLA in validating data used
- What quality indicators will be used (ISO, Charter marks etc)?