

The Accounts Commission for Scotland

Agenda

Meeting on Thursday 12 September 2013,
in the offices of Audit Scotland, 18 George Street, Edinburgh

The meeting will begin at 10:00 am

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 13 to 16 in private.
4. **Minute of meeting of 22 August 2013.**
5. **Chair's introduction:** The Chair will report on recent activity and issues of interest to the Commission.
6. **Update report by the Controller of Audit:** The Commission will consider a report from the Controller of Audit on significant recent activity in relation to the audit of local government.
7. **Best Value Audit – Targeted work: Aberdeenshire Council:** The Commission will consider a report by the Controller of Audit.
8. **Best Value Audit – Targeted work: The Moray Council:** The Commission will consider a report by the Controller of Audit.
9. **Audit of community planning and outcomes: next steps:** The Commission will consider a report by the Controller of Audit.
10. **Replacement of the Local Authority Accounts (Scotland) Regulations 1985 – Specific issues:** The Commission will consider a report by the Assistant Auditor General.
11. **Expectations of audit – consultation with Accounts Commission:** The Commission will consider a report by the Assistant Auditor General.
12. **Any other business.**

The following items are proposed to be considered in private:

13. **Audit Scotland fee strategy:** The Commission will consider a report by the Assistant Auditor General.
14. **Best Value Audit – Targeted work: Aberdeenshire Council:** The Commission will consider the action it wishes to take on the report.
15. **Best Value Audit – Targeted work: Moray Council:** The Commission will consider the action it wishes to take on the report.
16. **Performance audit – draft report: Reshaping Scotland's public sector workforce:** The Commission will consider a report by the Controller of Audit.

The following papers are enclosed for this meeting:

| Agenda Item | Paper number |
|---|---------------------|
| Agenda Item 4: Minutes of the meeting of the Commission of 22 August 2013 | AC.2013.8.1 |
| Agenda Item 6: Report by Controller of Audit | AC.2013.8.2 |
| Agenda Item 7: Report by Controller of Audit | AC.2013.8.3 |
| Agenda Item 8: Report by Controller of Audit | AC.2013.8.4 |
| Agenda Item 9: Report by Controller of Audit | AC.2013.8.5 |
| Agenda Item 10: Report by Assistant Auditor General | AC.2013.8.6 |
| Agenda Item 11: Report by Assistant Auditor General | AC.2013.8.7 |
| Agenda Item 13: Report by Assistant Auditor General | AC.2013.8.8 |
| Agenda Item 16: Report by Controller of Audit | AC.2013.8.9 |

ACCOUNTS COMMISSION

MEETING 12 SEPTEMBER 2013

MINUTES OF PREVIOUS MEETING

Minutes of the meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 22 August 2013, at 10am

PRESENT: John Baillie (Chair)
Alan Campbell
Sandy Cumming
Colin Duncan
Jim King
Christine May
Bill McQueen
Linda Pollock
Graham Sharp
Douglas Sinclair (Deputy Chair)

IN ATTENDANCE: Fraser McKinlay, Controller of Audit
Russell Frith, Assistant Auditor General [Items 7 and 8]
Paul Reilly, Secretary and Business Manager
Anne Cairns, Manager - Benefits (Technical) [Item 7]
Antony Clark, Assistant Director, PABV [Item 10]
Angela Cullen, Assistant Director, PABV [Item 11]
Andra Laird, Project Manager, PABV [Item 11]
Dick Gill, Portfolio Manager, PABV, [Item 12]
Claire Richards, Senior Performance Auditor, PABV [Item 12]
Ronnie Nicol, Assistant Director, PABV [Item 13]
Claire Sweeney, Portfolio Manager, PABV [Item 14]

| <u>Item No</u> | <u>Subject</u> |
|----------------|--|
| 1. | Apologies for absence |
| 2. | Declarations of interest |
| 3. | Decisions on taking business in private |
| 4. | Minutes of meeting of 20 June 2013 |
| 5. | Chair's introduction |
| 6. | Update report by the Controller of Audit |
| 7. | Housing and council tax benefits administration audit activity: annual report |
| 8. | Replacement of 1985 Local Authority Accounts Regulations |
| 9. | Any other business |
| 10. | Independent evaluation of the first three audits of community planning partnerships – draft response by Accounts Commission and Auditor General for Scotland |
| 11. | Performance audit – update: Reshaping Scotland's public sector workforce |
| 12. | Performance audit – project brief: Procurement in local government |

13. Scottish Government consultation: Amending the Schools (Consultation) (Scotland) Act 2010 – draft response by Accounts Commission
14. Local Government and Regeneration Committee: call for evidence: Public Bodies (Joint Working) (Scotland) Bill – draft response by Accounts Commission and Auditor General for Scotland

1. Apologies for absence

It was noted that apologies for absence had been received from Michael Ash and Colin Peebles.

2. Declarations of interest

There were no declarations of interest made.

3. Decisions on taking business in private

It was agreed that items 11 to 15 should be taken in private as they contained draft reports and confidential issues.

4. Minutes of meeting of 20 June 2013

The minutes of the meeting of 20 June 2013 were submitted and approved, subject to:

- In paragraph 10, noting the eighth bullet point as action for the Controller of Audit.
- In paragraph 12 (third bullet point), delete “to this end”.

In relation to paragraph 9 (ninth and eleventh bullet points), the Commission agreed that the Controller of Audit report formally to its next meeting on the targeted Best Value audit activity in Aberdeenshire and the Moray councils.

5. Chair's introduction

The Chair reported that:

- On 1 August, he chaired a meeting of Accounts Commission's strategic scrutiny partners.
- On 12 September, he met Stephen Gallagher, the new Head of the Local Government Division in the Scottish Government.
- In August he responded in his role as Chair to a consultation by the Public Appointments Commissioner in Scotland on enhancing the public appointments process, and he had shared his response with Commission members.

6. Update report by the Controller of Audit

The Commission considered a report by the Controller of Audit providing an update on significant recent activity in relation to the audit of local government.

During discussion the Commission:

- Noted advice from the Controller of Audit that Steve Barron has been appointed as the new Chief Executive of Highland Council.
- In relation to paragraph 15 of the report, agreed that the Controller of Audit report back on the desirability of guidance in relation to senior council officers assuming roles with bodies outwith the council.
- In relation to the first bullet point in paragraph 7, agreed that the Controller of Audit provide further information on the proportions of older people being cared for at home rather than in hospital or care homes.

Actions: Controller of Audit

Thereafter the Commission agreed to note the report.

7. Housing and council tax benefits administration audit activity: annual report

The Commission considered a report by the Assistant Auditor General advising of the outcome of Audit Scotland's benefits performance audit work during 2012/13.

During discussion the Commission agreed:

- To note advice from the Assistant Auditor General on:
 - Reasons behind overpayment of benefits.
 - Comparative levels of error and fraud.
 - Comparisons with England and Wales.
 - The role of the National Fraud Initiative in relation to the issues featured in the report.
- That, in paragraph 15, reference be made to reduction of risk.
- To endorse the report.
- That the Chair write to council chief executives and chairs of council audit and finance committees commending the report.

Actions: Assistant Auditor General

8. Replacement of 1985 Local Authority Accounts Regulations

The Commission considered a report by the Assistant Auditor General briefing the Commission on the Scottish Government's consultation on draft Regulations to replace the Local Authorities (Scotland) Regulations 1985.

During discussion, the Commission:

- Endorsed the general theme of a proposed response to the consultation that elected members should be more involved in accounts and financial control and policy matters.
- Agreed that the Assistant Auditor General report on issues associated with:
 - The desirability of requiring the proper officer for finance to be appropriately qualified.

- The desirability of prescribing the position of the statutory finance officer in a local authority's management structure.
- The desirability of prescribing the establishment of a council audit committee.
- Noted that the Chair would discuss with the Assistant Auditor General the requirements in the draft regulations in relation to reporting a true and fair view of the financial position of an authority.
- Agreed to delegate to the Chair and Deputy Chair to agree with the Assistant Auditor General the terms of a draft response.

Actions: Assistant Auditor General

9. Any other business

The Commission discussed progress with its secure web portal. The Commission agreed that the Secretary and Business Manager liaise with Commission members to establish issues associated with members' use of the portal.

Action: Secretary and Business Manager

10. Independent evaluation of the first three audits of community planning partnership – Draft response by Accounts Commission and Auditor General for Scotland [in private]

The Commission agreed that this item be held in private to allow it to consider a draft paper.

The Commission considered a report by the Controller of Audit proposing a draft response to the independent evaluation of the three early community planning partnership audits.

During discussion, the Commission:

- Agreed various changes to the draft response.
- Agreed that the Controller of Audit provide a summary of current single outcome agreements.

Action: Controller of Audit

Thereafter the Commission agreed to approve the terms of the draft response subject to the points discussed being addressed.

11. Performance audit – update: Reshaping Scotland's public sector workforce [in private]

The Commission agreed that this item be held in private to allow it to consider matters associated with an ongoing performance audit.

The Commission considered a report by the Controller of Audit providing an update on progress with the performance audit *Reshaping Scotland's public sector workforce*.

During discussion, the Commission:

- Agreed various issues for the audit team to consider for inclusion in the performance audit.
- Noted issues associated with:
 - rising staff costs
 - the reliability of data.
- Noted a revised publication date for the report.

Thereafter the Commission agreed to note the report.

12. Performance audit – project brief: Procurement in local government [in private]

The Commission agreed that this item be held in private to allow it to discuss a draft project brief.

The Commission considered a report by the Controller of Audit proposing a project brief and associated issues and investigations matrix.

The Commission agreed the project brief and associated issues and investigations matrix subject to consideration being given to a number of points raised in discussion.

The Chair advised the Commission that Dick Gill had intimated that he would soon be retiring from Audit Scotland. The Chair on behalf of the Commission thanked Dick for his work, input and support to the Commission in his time with Audit Scotland.

13. Scottish Government consultation: Amending the Schools (Consultation) (Scotland) Act 2010 – Draft response by Accounts Commission [in private]

The Commission agreed that this item be held in private to allow it to consider a draft response to a consultation.

The Commission considered a report by the Controller of Audit proposing a draft response to the Scottish Government's consultation on proposals to amend the Amending the Schools (Consultation) (Scotland) Act 2010.

During discussion, the Commission agreed:

- To make a response on specific points in relation to questions and issues of direct relevance to local government and which do not cover policy matters.
- To delegate to the Chair and Deputy Chair to approve the terms of the final draft of the response.

Action: Controller of Audit

14. Local Government and Regeneration Committee: call for evidence on the Public Bodies (Joint Working) (Scotland) Bill and the Children and Young People (Scotland) Bill – draft response by Accounts Commission and Auditor General for Scotland: [in private]

The Commission agreed that this item be held in private to allow it to consider a draft response to a consultation.

The Commission considered a report by the Controller of Audit proposing a draft response, made jointly with the Auditor General for Scotland, to a request for written views by the Local Government and Regeneration Committee on the implications of the *Public Bodies (Joint Working) (Scotland) Bill* and the *Children and Young People (Scotland) Bill*.

During discussion, the Commission agreed a number of points for inclusion in the draft response.

Thereafter the Commission agreed:

- the terms of the draft response subject to the points discussed being addressed
- to delegate to the Deputy Chair to approve the terms of the final draft of the response.

DRAFT

ACCOUNTS COMMISSION

MEETING 12 SEPTEMBER 2013

REPORT BY CONTROLLER OF AUDIT

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity in relation to the audit of local government.
2. It is intended to complement the intelligence reports to the Financial Audit and Assurance Committee, which provide a more detailed update on issues arising in local government.
3. The most recent such report was at the Committee meeting of 30th May.

Local government issues

4. The deadline for sign off of local authority accounts is 30 September. Current information from auditors suggests that all audits will be completed on time.
5. Following the Accounts Commission's consideration of a discussion paper on Arms Length External Organisations in June, legal advice is being sought to provide further clarity on the coverage of the public audit model to such organisations. I will provide the Commission with an update on progress.

Scottish Government/CoSLA

6. On 30th August COSLA leaders announced that they would be extending a pay offer of 1% for 2013/14 by a further 1% from April 1, 2014 for the year 2014/15 for Scottish local government employees. This extended offer will also include a commitment to match the living wage level to be announced in November this year by the Living Wage Foundation.
7. Following the launch in June of the 'Our Islands - Our Future' campaign, the three island council leaders and the Local Government Minister have agreed a plan to secure more powers for the islands. The plan includes devolving functions of the Crown Estate, and work towards giving the islands greater control over energy, renewables, transport and governance. The plan was agreed at the first meeting of a ministerial working group set up to examine the transfer of powers to the three authorities.

Current activity in local government

8. A total of 18 councils have now signed up to the Improvement Service's CPD Framework for Elected Members. The framework is designed to provide elected members with professional and personal development opportunities and to generate comprehensive, constructive feedback on how they exercise a wide range of political skills.
9. On 26th August staff at Stirling Council held a one day strike over pay and conditions.

People update

10. Steve Barron who was previously Depute Chief Executive and Director of Housing & Property took over from Alistair Dodds as Chief Executive of The Highland Council on 1st September.
11. Stuart Allan has taken up post as Commissioner for Ethical Standards in Public Life. His role covers functions previously undertaken by the Commission for Ethical Standards, the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland. Lindsey McNeill has been appointed as Executive Director of the new organisation.

Other Audit Agencies

12. No significant issues have arisen since my last report.

Conclusion

13. The Commission is invited to consider and note this report.

**Fraser McKinlay
Controller of Audit
4 September 2013**

ACCOUNTS COMMISSION

MEETING 12 SEPTEMBER 2013

COVER NOTE BY SECRETARY AND BUSINESS MANAGER

TARGETED BEST VALUE AUDIT ACTIVITY: ABERDEENSHIRE COUNCIL

Purpose

1. The purpose of this report is to introduce a report on targeted Best Value audit work in Aberdeenshire Council. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2. At its meeting on 20 June 2013, the Commission considered a report by the Controller of Audit providing an update on Best Value audit activity that flows from the shared risk assessment process. As part of his report, the Controller reported the outputs from audit activity targeted on specific aspects of Best Value in individual councils.
3. At its subsequent meeting on 22 August 2013, the Commission agreed that the Controller of Audit report formally on his work in two of those councils: Aberdeenshire Council and the Moray Council.

The report

4. The attached report to the Commission is made by the Controller of Audit under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
5. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - a) the accounts of local authorities audited under the Act;
 - b) any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public.
 - c) the performance by a local authority of their statutory duties in relation to best value and community planning.
6. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

7. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - (a) direct the Controller of Audit to carry out further investigations;
 - (b) hold a hearing;
 - (c) state its findings.
8. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence presented in the report.

Conclusion

9. The Commission is invited to:

- consider the report by the Controller of Audit on targeted Best Value audit work in Aberdeenshire Council; and
- decide how it wishes to proceed.

Paul Reilly
Secretary and Business Manager
28 August 2013

Aberdeenshire Council

Targeted Best Value Audit work 2012/13



Prepared for Accounts Commission
September 2013

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.

Contents

| | |
|---|-----------|
| Contents | 3 |
| Introduction | 4 |
| Background | 4 |
| Conclusions | 6 |
| Leadership by Senior Managers | 6 |
| Challenge and improvement | 7 |
| Performance management and benchmarking | 10 |
| Managing people | 12 |
| Equalities | 15 |
| Improvement agenda | 17 |

Introduction

At its meeting on 20 June 2013, the Accounts Commission considered a report by the Controller of Audit providing an update on Best Value audit activity arising from the shared risk assessment process. As part of his report, the Controller reported the outputs from audit activity targeted on specific aspects of Best Value in Aberdeenshire Council.

At its subsequent meeting on 22 August 2013, the Commission agreed that the Controller of Audit report formally on the work on Aberdeenshire Council to the Commission.

Aberdeenshire Council received the report in February 2013 and considered it at a full Council meeting on the 25th April 2013. At that meeting the Council approved an improvement plan to address the findings of the report.

The council's progress against these areas is being monitored by the external auditor to the council and will be reported in the Annual Report to Members for 2012/13.

Background

1. The best value audit report on Aberdeenshire Council was published in 2008. The findings concluded that the council was clear about its overall direction and priorities and had been effective in establishing a culture of continuous improvement. However, the findings also noted that to deliver best value fully the council needed to adopt a more strategic approach and to coordinate its plans more effectively. The council needed to increase and maintain the pace of change and to ensure that initiatives were followed through and evaluated.
2. The first Assurance and Improvement Plan (AIP) for Aberdeenshire Council was published in July 2010. This set out the planned scrutiny activity for the council for the period April 2010 to March 2012 based on a shared risk assessment undertaken by a local area network (LAN) made up of representatives of all the main local government audit and inspection agencies. The LAN met again in November 2011 and the AIP update for the period 2011-14 was published in May 2012.
3. The LAN noted that the performance of council services continue to raise no significant concerns. At the corporate level it was identified that there had been an improvement or sustained performance in a number of key areas, for example governance and accountability, risk management and financial management. Despite there being evidence of progress in performance management this remained an area of uncertainty. Some uncertainty had also emerged as a result of the requirement for efficiencies in the workforce and challenges in delivering these efficiencies.
4. The updated AIP for 2012-2015, prepared by the LAN set out an assessment of risk and the scrutiny required for Aberdeenshire Council. It included targeted best value audit work in 2012 to consider:
 - Leadership - specifically the impact of senior management reorganisation
 - Challenge and improvement - including self-evaluation, performance management and

competitiveness/benchmarking

- Managing people - specifically managing the workforce reductions

5. In addition to the work identified above, we also examined the council's approach to equalities. This work was not in response to an identified risk area but was at the request of the council to assist in its drive to mainstream equalities throughout council work.
6. The audit work was carried out in October and November 2012, by a team from Audit Scotland. We gratefully acknowledge the co-operation and assistance provided to the audit team particularly by Colin Mackenzie, Chief Executive and to Amanda Roe, Performance Manager and all elected members and officers contacted during the audit.

Conclusions

Leadership by Senior Managers

The council is developing a strong senior management team that is improving strategic leadership.

7. Senior management leadership had been identified as an area of uncertainty through the shared risk assessment process due to the significant amount of change that has occurred over the past two years:
 - The number of directors has reduced from seven to four
 - Early in 2011, the assistant chief executive left the council and the post was not replaced
 - Two new directors (education, learning and leisure, and infrastructure) were appointed during 2010-11
 - October 2011, change in who held the post as the head of finance, which is also the council's Section 95 officer
 - Between March 2009 and March 2012, the number of heads of service has reduced from 29 to 19 and at third tier manager level, the number of posts has reduced by 27, from 105 to 78.
8. Whilst this was part of the council's planned approach to secure efficiencies and establish a more focused and leaner senior management structure, the LAN considered this an area of uncertainty in relation to how the council was managing the change, to ensure that skills and knowledge were not lost and that resilience was maintained. The audit work focused on the impact of the new senior management arrangements and how the process of change had been managed.
9. Aberdeenshire Council's strategic management team (SMT) provides good leadership for the council. Senior managers have an inclusive and visible management style and promote good communication in the workplace. The SMT includes the Chief Executive, Directors, an Area Manager and the three statutory officers. The council also has an effective Management Team (MT) which includes all Area Managers, and Heads of Service. Leadership is being further developed at the individual service management team level including Heads of Service and Support Service Managers.
10. The council continues to develop its senior management capacity and as a result there is good corporate and cross service working. The council has put in place an extensive leadership development programme that supports induction of senior management and recognises the need for succession planning. The programme includes regular leadership forums, leadership master classes on specific topics, a mentoring programme for senior staff, events such as 'Aspiring to be corporate director/Head of Service' and Aberdeenshire Career Exploration programmes for future leaders. Senior managers particularly highlighted the benefits of 'active learning sets' which challenge management behaviours with a focus on

problem solving to promoting a corporate approach. This involves groups of senior officers problem solving difficult issues with facilitator support. Initially this approach was used by the MT and has now been rolled out to senior officers through management teams.

11. The council also undertakes 360 degree feedback for Directors and Heads of Service. This has resulted in both the SMT and the MT acting cohesively and supportively. Both focus on the corporate agenda and by working together at various levels has improved cooperation between services and business areas.
12. The council has good awareness of where it needs to improve its leadership and has plans in place to address this. It is undertaking a review of the role and remit of its senior management team meetings to address the changes in the senior management landscape, the reduction in staff numbers and revised roles and remits. The review will also consider the need for a greater strategic focus around the business discussed at meetings.
13. Staff are increasingly positive about the leadership of the council. The staff survey results in September 2012 show that 68 per cent of respondents agreed that the person they reported to demonstrated effective leadership in areas such as setting direction, bringing people with them, encouraging improvement and leading by example. Furthermore 47 per cent of staff agreed that senior managers engage effectively which is a notable improvement from the 2010 survey result of 31 per cent.

Challenge and improvement

The council has a good awareness of where it needs to improve and supports a culture of continuous improvement amongst staff. While it has introduced better governance arrangements at officer level to oversee improvement activity, it is still in the early stages of providing clear prioritisation, coordination and reporting on the impact of its improvement work.

14. Through the shared risk assessment process in 2011 the LAN concluded that challenge and improvement was an area of uncertainty. The council had been simplifying its approach to improvement planning by consolidating its existing improvement plans. The council's best value improvement plan and corporate improvement plan have been consolidated within individual service plans with the aim to make service plans the main vehicle for improvement planning. In addition, the council had introduced an Improvement Programme Board (IPB) comprising senior officers to take the lead on prioritising, managing and reporting on performance and improvement.
15. At the time the AIP was published in May 2012 the council was aiming to deliver a report on a council wide self-assessment based on 'How good is my council?' by June 2012. This would have been the first time the council had conducted a self-assessment at this high level.
16. Our audit work therefore focused on the effectiveness of the council's arrangements to drive improvement and the impact this has had in improving services. In particular we looked at:
 - How well the new arrangements to support improvement are working, including how effectively 'How Good is My Council' has been used as a self-evaluation tool and the

effectiveness of the improvement programme board in monitoring the council's improvement work

- The role of the strategic management team in identifying, prioritising and scrutinising improvement activity
 - How individual services are identifying, prioritising and driving forward improvement activity, reporting impact and assessing if this has been embedded into service planning
 - The degree of elected member involvement in developing improvement plans, prioritising improvement activity and in scrutinising impact, and
 - The degree to which the council can demonstrate service improvement.
17. The council is in the early stages of developing its programme of self evaluation. The council introduced its How Good is Our Council (HGIOC) self evaluation programme in July 2011 and carried out a council wide evaluation between November 2011 and March 2012.
18. The council can show that it has used the HGIOC framework effectively to facilitate improvement. The council assessed itself as 'good' in five out of the six high level questions, meaning that it recognises that has important strengths but with some areas for improvement. These five high level questions covered; the key outcomes it had achieved, how well it meets the needs of stakeholders, how good its delivery of key processes is, how good its management and leadership is. It assessed itself in the sixth question covering its capacity to improve, as having both the capacity and capability to continue to improve. We found that the council's assessment was a fair evaluation of its strengths and showed good awareness of the areas for improvement.
19. Following the self evaluation exercise the council developed improvement actions for the period 2012/13. Progress against these improvement actions is overseen by the Improvement Programme Board (IPB). In December 2012 the IPB considered a report that noted overall progress was 27 per cent complete, with some areas for improvement well advanced and all on track to deliver within timescale.
20. The council has introduced new arrangements that allow Directors and Heads of Service to have an oversight of service-level and corporate improvement activity. It has set up :
- A Business Transformation Programme Board (BTPB), chaired by the Director of Corporate Services,
 - an Improvement Programme Board (IPB), chaired by the Director of Infrastructure Services.
 - four Service Improvement Boards (SIB).
21. Services take the initial lead in identifying and prioritising improvement activity through service planning and performance reporting. This work is further coordinated by the four SIBs which are responsible for identifying and prioritising improvement activity within each service.
22. The IPB oversees the improvement activity at council level and is attended by the chairs of the SIBs who provide regular updates on improvement activity in each of the four services. The BTPB oversees business transformation under three workstreams: Working Smarter

(including Worksmart and workSPACE); Customer Services (including Improving the Customer Experience) and Supporting Employees (including Employee Relationship Management).

23. The governance arrangements have been in place for around 18 months and there are clear remits for each of them, but further work is needed to develop the role of the boards particularly in prioritising improvement work and identifying, monitoring and reporting the benefits from improvement activity. Elected Members should receive an annual report on the work of the BTPB however to date there has been no such report. The IPB reports to SMT. While elected members receive reports on progress against service plans which contain service improvements; the council should strengthen the role of members in scrutinising the council's overall improvement agenda.
24. The council has been proactive in undertaking a range of improvement activity across its services. However it is still in the early stages of streamlining its improvement activities and does not yet have a clear approach to prioritisation. The council recognises this and the SIBs and IPB are working on a prioritisation project which it expects to report in spring 2013. The aim of this project is to put in place a plan of all the improvement activity in the council to assist in the coordination of cross cutting corporate projects, the allocation of resources and the oversight of all improvement work.
25. The council does not systematically evaluate the impact of its improvement activity and savings are not always planned and monitored in detail or challenged at an appropriate level. While senior managers can articulate the benefit of improvement work in their services there is not a comprehensive or common approach to capturing and reporting on impact. The council is now addressing this and is working with its external auditors to develop an approach to benefits realisation and has set a target date of May 2013 for this work to be completed.
26. While councillors demonstrate good scrutiny of council performance they have limited involvement in developing improvement plans, prioritising improvement activity and scrutinising impact, particularly of the savings being made. Councillors take a reactive rather than proactive role in considering the impact of improvement activity and recognise that there is inconsistent scrutiny of the impact of improvement plans.
27. The council is, in general, improving its service performance.
 - In education, learning and leisure there is overall good performance, particularly with regard to pupil destinations. Aberdeenshire is maintaining its previous position of 40 per cent of pupils progressing to higher education, which is higher than both comparator councils and the national average.
 - In social work the inspection of care services directly provided by the council demonstrates strong performance.
 - The council's provision of housing services shows improving performance and rising tenant satisfaction with the service. Overall there has been an increase in the number of council dwellings that are free from serious disrepair, that are energy efficient and that

are meeting the Scottish Housing Quality Standard. The council's management of empty houses is improving as is its management of rent arrears.

- In development services the council has increased the number of household and non householder applications dealt with within 2 weeks.

28. The council's provision of waste services is not performing so well, the percentage of municipal waste recycled or composted and 'biodegradable municipal waste sent to landfill are ranked 25 and 28 out of 32 councils respectively. However, the long term trend is improving.

Performance management and benchmarking

The council has a clear performance management framework in place and has improved its approach to monitoring and reporting performance. Elected members have a greater focus in scrutinising the council's performance. The council does not systematically collect, monitor and report on benchmarking activity to help it identify where it needs to improve.

29. The council's performance management arrangements had been identified as an area of uncertainty through the shared risk assessment process. The LAN also identified some uncertainties in relation to competitiveness and benchmarking.
30. Our work focused on the effectiveness of the Aberdeenshire Performs framework in capturing performance information, supporting benchmarking, facilitating comprehensive performance reporting and helping identify areas for improvement. It also looked at the integration of strategic planning, performance monitoring and improvement activity and how the council is using benchmarking to identify where it needs to improve. It also considered the effectiveness of member and officer scrutiny of the council's performance.
31. Aberdeenshire Council is consolidating its performance management arrangements. The aim is to bring together the following strands of planning and performance management into a cohesive framework:
- Strategic planning
 - Performance management
 - Performance monitoring
 - Improvement activity
32. The council has a clear performance management framework in place. The 'Aberdeenshire Performs' framework enables the council to have a direct link through team plans, to business plans to service plans and performance reporting. During 2012/13 the council began to incorporate all council improvement activity, identified through either self-evaluation or external scrutiny, into this framework. The aim is to ensure improvement activity supports relevant council or service key objectives and that it is appropriately resourced and prioritised. In addition, the council continues to seek ways to improve how it reports its performance information to allow more effective scrutiny at its committees, the IPB and SIBs.

33. The council has improved its approach to monitoring and reporting performance. The council reports its performance through exception reporting. It has improved the quality and presentation of performance information. These improvements have been well received by members. While this approach to reporting performance is still in the early stages of development, there have been improvements in the quality of information and how it is presented. Members consider that the performance reports they receive are comprehensive with information being made available in advance of meetings.
34. Improvements in the quality of performance information have led to elected members providing more focused scrutiny of performance. Elected members have open access to the performance management computer system and can drill down into more detailed performance information as they choose. Members have also taken the opportunity to scrutinise performance in detail and engage in dialogue with officers' outwith the normal committee reporting route through area performance seminars at area committees. These group discussions have led to elected members exploring service performance and current issues in depth.
35. In January 2012 the council projected an underspend of £10.719 million against its 2011/12 budget. In April 2012, the council reported that the final underspend amounted to £20.236 million, significantly exceeding the earlier projection. On investigation the council's internal audit team identified there were a number of variances between the figures projected in January and the final figures. Some of the variances are attributed to vacancies in permanent teachers, infrastructure services and waste disposal; lower capital financing costs and contracts not being let. The council has accepted that they should have known about these variances; however the issue was that the information that services provided to the Finance Team was incomplete, so the reports going to the wider MT did not reflect an accurate budget position.
36. The council has put more stringent arrangements in place for monitoring the revenue budget savings and in particular the levels of any underspend. Services are now being actively encouraged to flag up any issues to the finance team at an early stage. Also, as part of the 2013/14 budget process, the council has undertaken a risk based review of the budgets that had material levels of underspend to establish how the budgets could be reduced without impact on service delivery. These budget re-alignments will not impact on the staffing complement levels and are not permanent therefore will be fed back into the revenue budget in future years once the recruitment issues are resolved. In the most recent budget briefing, officers are recommending that a strategy be developed in each service to tackle these recruitment levels and improve staffing levels. The Scrutiny and Audit Committee now receive a full report at each committee showing progress against each saving rather than the exception reporting that occurred previously.
37. The chair of the Scrutiny and Audit committee is not an opposition councillor, which is not in line with good practice principles for audit committees. The vice chair is however an opposition member and there is a good balance of elected members from a range of backgrounds that contribute positively to how business is conducted. The council refers examples of poor

performance to this committee for more robust scrutiny or further investigation, for example housing and council tax performance is regularly considered at the committee. The committee has commissioned external facilitation from CIPFA to help it further develop its scrutiny and audit function and has put in place a forward work programme of workshops and investigations to assist it in this.

38. The council does not systematically collect, monitor and report on benchmarking activity to help it identify where it needs to improve. The council is aware that benchmarking is an area which requires further development and identified this as an improvement area through the recent self-assessment 'How Good is Our Council?' Its assessment identified that benchmarking is not undertaken consistently across services and there is not a common understanding of what benchmarking is and how it can be used.
39. The council has plans in place to develop its approach to benchmarking. It has invested in a new corporate performance management system, of which a key consideration was its ability to support wider benchmarking, for key statutory and local indicators. While individual services can identify examples where they have undertaken benchmarking this is not comprehensive and consistent across council services. The council will use the SOLACE/ Improvement Service benchmarking project to improve its approach to benchmarking.
40. Elected members demonstrate a clear understanding of the benefits of benchmarking in driving service improvements and challenge officers for comparative information during meetings. The Scrutiny and Audit Committee has also identified benchmarking as an area for investigation and are in the early stages of scoping out this work with plans to report in the spring of 2013.

Managing people

The council has a comprehensive approach to people management through a workforce strategy and action plan. It is aware of the challenges it faces in recruiting and retaining staff and in maintaining a skilled and resilient workforce. The council works well with staff and their representatives to address these challenges through a variety of initiatives and can demonstrate progress in reducing sickness absence amongst staff and increasing the number of participants in the Worksmart programme.

41. The council's approach to managing people had been identified as an area of uncertainty due to recent and planned workforce reductions. The council's 'Worksmart' initiative is intended to develop a more efficient, flexible workforce.
42. In November 2010 the council indicated that in order to make the required savings in its revenue budget for 2011 to 2013, in a worse case scenario, it would need to reduce the workforce by 900 full time equivalent posts (FTE). This was approximately ten per cent of the workforce. In September 2012 the council reported that the workforce had reduced by 319. The council has taken action to minimise the reduction in staff numbers by managing vacancies, reducing levels of overtime, minimising the use of agency staff and reducing the

number of temporary posts. Some posts which had been identified by directors have been deferred pending council decisions on rural schools and libraries.

43. The audit considered the extent to which the council's approach to planning for and managing its workforce reductions minimises the effects of skills loss, identifies and addresses skills gaps and ensures resilience in the streamlined workforce.
44. The Human Resources and Organisational Development Service is structured in such a way as to support the council in delivering the key elements of its workforce strategy. It includes four units:
 - Health, Safety, Wellbeing and Risk Unit
 - HR Operations - Business Partner, Mediation & Employee Relations and HR Support Unit
 - Learning and Development Unit
 - Organisational Design, Recruitment and Strategy Unit
45. The council has a comprehensive approach to people management through its workforce strategy and action plan. It has a workforce planning toolkit that includes data on staff numbers and age profile which assists in the profiling and planning for its workforce strategy. The strategy is linked through its planning framework to service planning and service reviews. A key element of the strategy is the recruitment and retention of staff and developing its staff along with associated actions such as introducing a learning and development strategy, piloting the proposed competency framework and development scheme framework.
46. The council has effective policies and systems in place to assist it manage its workforce. It is undertaking a range of activities to help it minimise the impact of the reduction of its workforce. These include improving its understanding of the workforce profile and training opportunities, such as the provision of more targeted learning and development opportunities that meet individual's needs as well as support the business of the council. Its leadership development programme outlined in paragraph 10 helps minimise skills loss and builds resilience in its workforce. It has also made changes to working practices to make the council more attractive to prospective employees. The council agreed in January 2013 to introduce a living wage supplement, which offers a minimum hourly rate for employees. It has also approved the introduction of the Empty Homes Loan Scheme to get empty properties back on the rental market and made available as affordable housing.
47. The council shows a good understanding of the challenges it faces, particularly around its ability to recruit and retain staff in a competitive environment. It uses a range of approaches to manage, retain and realise the potential of staff through re-skilling, secondments in other business areas, attracting workers to specific posts, a 'growing your own' approach and a review of roles and responsibilities. These, along with its workforce planning toolkit, aim to identify and address future gaps. These initiatives have been effective in managing and retaining its workforce, there has been an increase in the council's retention rate for staff from 73.8 per cent in 2010/11 to 75.7 per cent in 2011/12 and turnover for voluntary leavers reduced from 10 per cent to 8.4 per cent over the same period.

48. In January 2013 the Scrutiny and Audit committee were advised that the Management Team were undertaking a review of recruitment and retention issues and will report back on this later in the year. Officers are recommending that a strategy be developed in each service to tackle recruitment levels and improve staffing levels.
49. The council can show improvements in its sickness absence levels. The total number of days lost per year through sickness absence for employees, excluding teachers, has reduced from 71,343 in 2010/11 to 67,803 in 2011/12, for teachers there has also been a reduction in the total number of days lost per year through sickness absence. Both sickness absence levels are below the Scottish average.
50. The council's Worksmart programme is enabling flexibility in how it deploys its staff. The aims of this initiative are:
 - Increased productivity: To allow the council to make the best use of staff resources and reduces unnecessary travel time such as routine visits to offices to update records and collect files.
 - Asset management: Improving council accommodation to provide quality access for the public and modern facilities for staff through a better utilisation of space with the potential over time to reduce the number of buildings and their associated costs. This has developed into the workSPACE project.
 - Improve sustainability: Through considering the impact of activities on the environment such as reducing travel to work mileage, reducing premises costs for lighting and heating.
51. The Worksmart programme is highly regarded by staff, which is demonstrated by positive perception measures based on manager and officer feedback, reported to the Policy & Resources committee. It is on schedule to exceed the anticipated number of employees and has the backing of the trade unions. At November 2012 there were 1,564 Worksmart participants with a further 355 staff having applied to change their working pattern. This achievement was against a target of 1,780 for the three years.
52. An internal audit report in October 2012 found that there has been no actual, measured productivity or efficiency savings (which could be separated from other initiatives) to demonstrate the impact that Worksmart has had. The council considered an update report on Worksmart at its Policy and Resources Committee in January 2013. This provided details on the numbers of participants and shows the success of the Worksmart initiative.
53. The report identified that that over the three years that Worksmart has been in place there has been a £126,540 saving on business mileage, and a saving of 411,749 commuting miles, saved by employees working from other locations closer to home or from home. This has had an impact in reducing carbon emissions (kgCo2 of 102,378). Furthermore it identified property savings through the release of nine offices leased by the council, the saving of running costs through vacation of four offices and the receipt of capital through the sale of a further office. The committee has received a commitment for a further report on the impact of this against the original business case, however no specific date has been given for this

54. The council engages well with its staff and involves a range of staff at all levels in its improvement activity. It has a 'change channel' tool that allows staff to submit ideas for improvement and the council's intranet Arcadia provides staff with good information on developments within the council. Senior staff engage in 'back to floor exercises' to engage with staff and the Chief Executive's blog provides for a two way dialogue on key issues affecting staff.
55. The staff survey results found that 60 per cent of respondents agreed that Aberdeenshire Council was an excellent organisation to work for, an increase of ten per cent from a similar question asked in the 2010 staff survey. It also found that regarding their team or work group, 87 per cent of respondents agree they have a regular opportunity to read or hear about council news, initiatives and events. Furthermore, 79 per cent agree they can contribute to making improvements within their area of work and 78 per cent agree that their team regularly gets together for team updates, discussions or depot meetings.

Equalities

Aberdeenshire Council has the structures and processes to deliver the equalities duties but needs more engagement from elected members and staff at all levels. It has robust plans in place to identify the main equality issues for the council and its communities and to raise awareness of elected members and staff on equalities issues.

56. The audit work also examined the council's approach to equalities and the extent to which this is mainstreamed across services and in decision making. This work was not in response to an identified risk area but was at the request of the council to assist in its drive to the mainstream equalities throughout council work.
57. The council has made good progress in implementing its Multi Equality Scheme (MES). The MES covers the period 2010 to 2013. The MES is reported annually to the council's Policy and Resources Committee and was last reported in February 2012. The scheme includes 55 actions and the council reported that of these 41 actions had been completed, 5 were on track and nine not on track. Good progress is also being made in delivering the equalities improvement actions from the HGIOC self evaluation exercise.
58. The council is proactive in driving the equalities agenda. It has commissioned Grampian Regional Equality Council (GREC) to carry out an equalities mapping exercise to identify what the main equalities issues are in Aberdeenshire. The council itself has contributed equalities issues from a range of consultation and engagement activity that it has undertaken within the area with local community groups. The council used this initial mapping exercise to undertake focus groups with local communities across Aberdeenshire in October and November 2012. The aim of these focus groups was to test if the key issues, arising from the evidence gathered, matched up with the experiences of the citizens of Aberdeenshire in 2012. The council is using the evidence collected to develop equality outcomes for reporting to council by

April 2013. This will help it to meet the specific duties of the Equality Act 2010 to publish equality outcomes and report progress.

59. The council has robust plans in place to develop and promote equalities but needs to ensure that all staff are aware of their responsibilities and the impact they have in delivering fair and better outcomes for communities. The council is raising awareness of the equality issues with staff by improving the range of training opportunities available and through the provision of information on Arcadia, the council's Intranet for staff communication. The council has an established Corporate Equalities Group (CEG) that includes representatives from all services as well as NHS partners and a local voluntary group. It undertakes a range of activities that promotes equalities including leading on the awareness raising, the development of Arcadia and representation on a number of external groups.
60. The council cannot demonstrate that equalities are routinely considered in its decision-making as it is not highlighted in committee reports. The council is now addressing this with specific paragraphs being added to all relevant reports from April 2013. This, along with training for elected members, should help to ensure that equalities are considered more systematically in the council's decision making.
61. There is further scope for the council to work with elected members to promote equalities for the Aberdeenshire area. The council does not have an elected member equalities champion and there are no elected members on the CEG. There is limited reporting on equalities issues to council other than the reporting of the MES to Policy and Resources. However, elected members have been provided with training on the 'The Public Sector Equality Duty and Specific Duties'. This training contained specific reference to the need to proactively consider equalities in relation to decision making. The session was interactive in getting elected members to work through question areas. By January 2013, 70 per cent (48 out of 68) of elected members had attended training with further sessions and briefings planned.

Improvement agenda

62. This improvement agenda details the areas for improvement that we have identified during our targeted audit work.
63. The council needs to:
- Continue to develop its leadership development programme and progress improvements in its corporate working
 - Prioritise its improvement activity at corporate and service level
 - Evaluate the impact of its improvement activity
 - Involve elected members in prioritising improvement activity and in scrutinising the impact of that activity.
 - Develop service level recruitment and retention strategies in order to better manage its staffing levels
 - Systematically collect, monitor and report on benchmarking activity to help it identify where it needs to improve
 - Continue to promote and raise awareness of equalities with staff and elected members and ensure that equalities issues become a key consideration in decision-making
64. We would ask the council to report the findings of this report to the relevant committee and develop improvement actions to respond to the above improvement agenda. The council should bring to our attention any improvement plans.
65. The council's progress against these areas will be monitored by the external auditor to the council and reported in the Annual Report to Members for 2012/13.

ACCOUNTS COMMISSION

MEETING 12 SEPTEMBER 2013

COVER NOTE BY SECRETARY AND BUSINESS MANAGER

TARGETED BEST VALUE AUDIT ACTIVITY: THE MORAY COUNCIL

Purpose

1. The purpose of this report is to introduce a report on targeted Best Value audit work in the Moray Council. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2. At its meeting on 20 June 2013, the Commission considered a report by the Controller of Audit providing an update on Best Value audit activity that flows from the shared risk assessment process. As part of his report, the Controller reported the outputs from audit activity targeted on specific aspects of Best Value in individual councils.
3. At its subsequent meeting on 22 August 2013, the Commission agreed that the Controller of Audit report formally on his work in two of those councils: Aberdeenshire Council and the Moray Council.

The report

4. The attached report to the Commission is made by the Controller of Audit under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
5. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - a) the accounts of local authorities audited under the Act;
 - b) any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public.
 - c) the performance by a local authority of their statutory duties in relation to best value and community planning.
6. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

7. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - (a) direct the Controller of Audit to carry out further investigations;
 - (b) hold a hearing;
 - (c) state its findings.
8. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence presented in the report.

Conclusion

9. The Commission is invited to:

- consider the report by the Controller of Audit on targeted Best Value audit work in the Moray Council; and
- decide how it wishes to proceed.

Paul Reilly
Secretary and Business Manager
28 August 2013

The Moray council

Targeted Best Value audit work 2012/13



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.

Contents

| | |
|--|-----------|
| Introduction..... | 4 |
| Background..... | 4 |
| Conclusions | 6 |
| Leadership and culture..... | 6 |
| Challenge and improvement..... | 11 |
| Customer focus | 13 |
| Equalities | 15 |
| Risk management | 16 |
| Measuring and reporting against SOA outcomes | 16 |
| Improvement agenda..... | 19 |

Introduction

At its meeting on 20 June 2013, the Accounts Commission considered a report by the Controller of Audit providing an update on Best Value audit activity arising from the shared risk assessment process. As part of his report, the Controller reported the outputs from audit activity targeted on specific aspects of Best Value in The Moray Council.

At its subsequent meeting on 22 August 2013, the Commission agreed that the Controller of Audit report formally on the work on The Moray Council to the Commission.

The Moray Council received the report in May 2013 and considered it at a full Council meeting on the 22 May 2013. The council subsequently produced an improvement plan to address the findings of the report and this was approved at a full Council meeting on the 7 August 2013.

The council's progress against these areas is being monitored by the external auditor to the council and will be reported in the Annual Report to Members for 2012/13 and 2013/14.

Background

1. The first Best Value audit report on The Moray Council was published in February 2006. The findings concluded that the council lacked some of the fundamental elements of best value, including a clear vision and strategic direction, political and corporate leadership and effective performance monitoring arrangements.
2. Progress reports, published in August 2007, February 2009 and November 2010 highlighted that while the council had made some improvements in the corporate leadership and strategic direction of the council, limited progress had been made in elected member leadership. The capacity to sustain continuous improvement and the pace of improvement needed to increase.
3. In February 2011, the council identified a number of improvement actions in response to the 2010 progress report. However, none of these improvement actions had been completed by the time the annual audit report for 2010/11 was published in October 2011. This was concerning given that the most recent progress report had highlighted the need to progress improvement actions quickly.
4. The 2012-2015 Assurance and Improvement Plan (AIP), published in May 2012, highlighted that while there had been some evidence of progress, there were still some areas of risk and uncertainty. It concluded that targeted Best Value audit work was required in the autumn of 2012 to consider:
 - Leadership and culture
 - Challenge and improvement
 - Customer focus

-
- Equalities
 - Risk management
 - Measuring and reporting against SOA (Single Outcome Agreement) outcomes.
5. Our audit work involved reviewing council documents, observing council meetings and interviewing elected members and senior council officers. The conclusions from this targeted work also fed into the shared risk assessment process for 2013/14. We gratefully acknowledge the co-operation and assistance provided to the audit team particularly by Roddy Burns, Chief Executive and Bridget Mustard, Corporate Policy Unit Manager and all elected members and officers contacted during the audit.

Conclusions

Leadership and culture

Political and officer leadership has improved since the October 2010 progress report. The council is aware of areas for further and continued improvement. However, the council needs to consolidate its strategic planning arrangements so it can more clearly demonstrate progress.

6. The AIP 2012-15 published in May 2012 highlighted political leadership as an area of significant scrutiny risk, particularly regarding the slow pace of change since the last Best Value progress report in 2010. This was concerning given the report highlighted the need to progress improvement actions quickly.
7. Our audit work focussed on the effectiveness of elected member leadership in setting the vision and strategic direction of the council, the pace of change and strategic planning arrangements.
8. The local government elections in May 2012 brought changes to the political leadership of the council. Approximately one third of members are new to the council. Although the coalition administration group remains the same, there is now a new leader and convener in place. The council has also clarified its political leadership roles, with the leader taking more of a strategic, outward looking role and developing the vision for Moray. The convener has the key civic responsibilities but is also now responsible for oversight of council business and to ensure a corporate approach is taken to development of policies and provision of services in Moray.
9. The council has a number of strategic plans currently in place. These are:
 - a Corporate Plan up to the period 2013 agreed in January 2011
 - a Corporate Improvement Plan, 'Best Value for Moray', agreed in November 2011
 - a set of Administration priorities, agreed in September 2012
 - a Single Outcome Agreement for the period 2012-2015 (however, as at November 2012, this was still incomplete).

Political leadership

10. Elected members are becoming more engaged in setting the vision and strategic direction of the council and demonstrate increased ownership of their responsibilities. The leader is developing a more strategic, outward facing role, representing the council nationally, for example at COSLA. He is responsible, along with the convener, for leading improvements within the council. Committee chairs are now more involved in setting the priorities for committee business, while the convener maintains an oversight by meeting regularly with committee chairs to ensure priorities move forward. Elected members recognise the

importance of community planning and the administration group played a significant role in compiling the SOA 2011/12 performance report.

11. Elected members are demonstrating more visible leadership, with a better understanding of the concerns and priorities of local communities and employees. In autumn 2012, the leader and convener led the public consultation events on council savings and elected member attendance overall was good. The convener also played a key role at the employee conference held in October 2012 and elected members are participating in service site visits with the Corporate Management Team (CMT) to listen to staff across the council. In December 2012, the Community Planning Partnership began the process of conducting an Area Based Review with the support of the Scottish Futures Trust, to identify how council services could be delivered by 2020. Elected members are actively engaged in this exercise, making them well placed to develop, with partners, a joined up strategic vision for the Moray area.
12. The council will need to continue to act decisively in making difficult decisions to deliver its budget savings. The council has stated that it needs to find £30 million of savings by 2016/17. During the autumn of 2012/13 the council carried out an extensive round of public consultation on the budget. The aim of this consultation was to seek the views from the public on what services they wished to protect and where savings could be made. This commitment to consultation is encouraging.
13. In February 2013 the council agreed their budget for 2013/14, removing £7 million from the budget through a range of measures including removing the subsidised bus services, the closure of seven libraries, removal of support for arts development and a one year reduction in roads maintenance. As part of the budget consultation, the public were asked to rate services in order of priority. This identified that care of the elderly, primary and secondary education and supporting vulnerable and disabled adults were the most important services and museums, music instruction and arts development were the lowest priority services.
14. At the time of our audit work, the council had a coalition administration group of 13 elected members (ten Independents and three Conservative) and 13 opposition elected members (ten Scottish National Party and three Labour). In effect, the council did not have a majority administration. As a result of a by-election in March 2013, the council now has an administration group of 14 elected members (11 Independents, three Conservative) and 12 opposition elected members (nine SNP, three Labour). There is no evidence to suggest the delicate political balance is currently causing any problems in decision-making; however elected members need to continue to work together across political parties, to ensure this remains the case.
15. While there are signs that political leadership is getting better, there are still areas for improvement. In July 2012, the council approved a range of governance documents and protocols to clarify how members and officers should work together. These include the roles of elected members, the leader, the convener and also clarify meeting procedures between committee chairs and directors. This was to improve working relationships between members and officers and between members across political parties. This is a positive step; however it

will take time for the council to implement these new working practices. It is too soon to evaluate the impact of these new ways of working, however, the council has committed to review this from July 2013.

16. Newly elected committee chairs will require on-going training and development to fulfil these important roles. Elected members interviewed as part of the audit were positive about the training and briefing sessions available and all members have individual training records listing the training events they have attended. However, less than half of elected members have had a personal development meeting to identify training and development needs since the May 2012 elections. Elected members should continue to focus on their personal development and engage in training opportunities.

Officer leadership

17. There have been significant changes to the council's senior management team over the past two years. Our audit work focussed on the effectiveness and impact of these new arrangements in helping to lead the council and deliver its objectives.
18. During 2010/11, the council reviewed its management structure, reducing the number of directors from five to four, with effect from April 2011. In October 2012, the chief executive was appointed on a permanent basis after acting in a temporary capacity for 15 months. The current CMT comprises the chief executive and three corporate directors.
19. Officer leadership is developing well as a result of management changes since the October 2010 progress report. A more open and inclusive management style is emerging and there are signs of improved corporate leadership, led by the chief executive. Since June 2012, the CMT has been meeting regularly and is working more effectively as a management team, to deal with issues corporately. The directors work in an open plan office called "The CMT Hub" which promotes better joined up working and information sharing. The CMT has produced a work programme to give structure and focus to their meetings. Directors are working together to address council wide issues such as the need for budget reductions and workforce planning.
20. Our audit work found that administration elected members and senior officers are positive about the new ways of working within the CMT. The council's Section 95 Officer and Monitoring Officer are not formally members of the CMT. This means there is a risk that statutory roles are less visible and that financial governance is affected. Both officers are actively involved in the CMT and able to influence agenda setting and decision-making.
21. The CMT is developing the leadership skills of its wider Senior Management Team (SMT) which includes officers at head of service level. This includes participation in the Improvement Service's Public Sector Leadership Programme, which is targeted at managers at fourth tier level and above. The council is also working with its community planning partners to enable public sector managers from across the Moray area to attend the programme together. The partnership has delivered two rounds of the programme, with 13 council officers participating which is 20 per cent of staff at fourth tier and above. The council has identified this programme is not suitable for all eligible staff, such as senior officers who are not budget holders, but also

due to requirements on attendance, study and submission of course work. The council should ensure it has a suitable range of training options to continue to develop its senior officer leadership skills.

22. The council is also making greater efforts to engage with employees at all levels across the organisation. It has developed a senior officer handbook, which clarifies the role and remit of the CMT and the wider SMT. In January 2012, the council implemented an employee engagement programme to improve its communications with staff, including an Employee Charter, a corporate newsletter, learning visits by senior officers and elected members to services and the existing staff conference. All of these activities demonstrate a more open and visible leadership style. The council has not conducted an employee survey since these changes were made, however a survey was reported to council in September 2011. This showed that 65 per cent of staff felt they had access to the information they needed to do their job, but only 15 per cent believed that the council acted on staff feedback. Through the employee engagement programme, the council is starting to capture and act upon staff views, for example, through learning visits, listening meetings and Team Talk feedback.

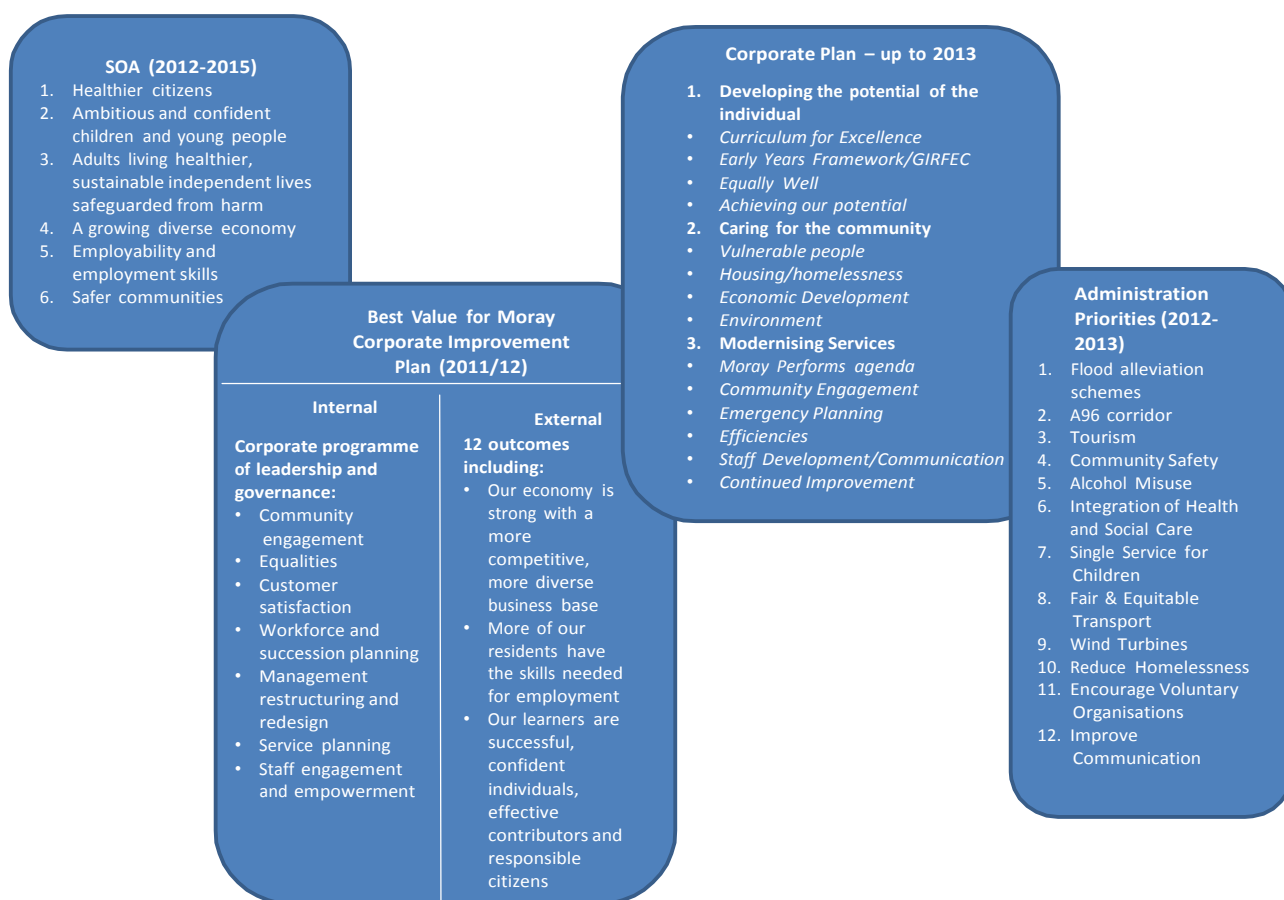
Strategic planning

23. The council needs to consolidate its strategic planning priorities to create a clear framework to support leadership and strategic direction. The council's strategic plans currently contain a significant number of similar and inter-related priorities and community planning outcomes ([Exhibit 1](#)). The council is aware that these need to be brought together into a simplified set of priorities against which progress can be readily assessed and demonstrated.
24. The council agreed a corporate improvement plan, 'Best Value for Moray', in November 2011. This plan exists alongside a set of administration priorities agreed in September 2012 and a corporate plan up to the period 2013. At the time of our audit work in November 2012, the council was also developing an updated SOA for the period 2013-2016. The Community Planning Board (the board) did not approve a final version of the SOA to cover the period 2012-13, although there were draft versions being taken to the board from March to September 2012, the date the last minutes for the board are publically available.
25. The Scottish Government published guidance in December 2012 on the scope and content of new SOAs and confirmed the timetable for their submission. The guidance clarifies the purpose of the SOA:
 - Set out clear and agreed priorities, rooted in the Community Planning Partnership's (CPP) understanding of place, for improving local outcomes.
 - Be clear about long term outcomes to be achieved over the next decade, and the contributory outcomes, indicators and targets by which progress towards these will be demonstrated over the short (1 year) and medium (3 years) terms.
 - Show how the total resource available to the CPP and partners has been considered and deployed in support of the agreed outcomes, especially in ways which promote prevention, early intervention and the reduction of inequalities.

26. The deadline for submission of SOAs to the Scottish Government was 1st April 2013 and a draft SOA for Moray for 2013-16 was submitted by that date.
27. It is not clear how the council's key strategic plans currently fit together and cascade down through services. The council is aware of the need to address this. The CMT has acknowledged it needs to work on aligning its strategic plans. The chief executive is committed to taking this forward but needs support from staff to progress this at a quicker pace. The council needs to address this as a priority to build a clear framework to support leadership and strategic direction. This will provide greater clarity to staff to focus their work and to communities on the priorities for Moray. This is essential to support further improvements in the council's strategic direction and to support budget decisions that need to be made in future.

Exhibit 1

The council's strategic plans currently contain a significant number of similar and inter-related priorities.



Source: Audit Scotland

28. Overall, the council acknowledges that improvements in political and officer leadership are recent and it is aware it needs to continue momentum to build on this. The council demonstrates an increasing level of self-awareness. It fully understands it needs to continue to build on the progress made in the areas outlined in this report. This level of self awareness is encouraging.

Challenge and improvement

Elected members and officers are challenging performance more effectively. The council is making progress with its improvement programmes, however it does not have an overarching approach to prioritise and focus improvement work. The council needs to improve the governance and reporting of its improvement activities.

29. The council has been taking forward improvement activity through three strands:
- An improvement programme called Designing Better Services (DBS) has been in place since 2008 to modernise the way the council operates.
 - The council has been using the Public Sector Improvement Framework (PSIF) as its self-evaluation tool since 2009 to support service improvements
 - The corporate improvement plan 'Best Value for Moray' agreed in November 2011.
30. In the 2012-15 AIP, the Local Area Network (LAN) identified that the council had been active in its use of PSIF and that it is one of the few councils to have completed PSIF assessments of all of its services. However, it also identified there was less evidence available in respect of 'challenge'. Our audit work concentrated on:
- the level of challenge and scrutiny demonstrated by elected members and senior officers
 - how well senior officers lead improvement activity
 - how involved members are in prioritising improvement activity
 - to what extent PSIF and other improvement activities have contributed to demonstrable change.
31. It is not clear how the three improvement strands come together into a coherent programme. This is due to both disparate reporting arrangements for the individual strands and a lack of clarity on how the council prioritises improvement activity. The 'Best Value for Moray' plan has been a useful exercise for the council to take stock. The plan sets out twelve outcome areas but does not set out how services will work towards achieving these. In addition, the outcome areas are expressed differently to those in the SOA. 'Best Value for Moray' also sets out inward facing improvement priorities, such as customer satisfaction and workforce and succession planning but without giving a clear direction on how it will take these forward. This means it does not clearly set the strategic direction for the council, although it is the primary corporate document currently in place.
32. The council's current review of performance management arrangements is an opportunity to ensure there is a more integrated approach to identifying and prioritising improvement activity. This review has identified that performance reports could be improved by including customer

satisfaction and cost measures and more measures on outcomes rather than inputs. At the time of our audit, it was unclear how the council uses its performance management information to inform the priorities for improvement activity. Performance improvements are incorporated into some, but not all service plans. The council has set a time-frame for improvement actions to be contained within all service plans, in accordance with the council's service plan template, by the 2013/14 planning cycle.

33. The council's arrangements for reporting on the progress and impact of improvement activity are not integrated. Updates on the DBS programme are considered by the Policy and Resources (P&R) Committee. Updates on PSIF are taken by the Moray Performs Board, which meets infrequently and in private, meaning there is a lack of transparency on how the council considers some of its improvement activity. In addition, the council has not reviewed performance against the 'Best Value for Moray' plan since it was agreed in November 2011. The council needs to develop clear and transparent reporting arrangements to ensure senior officers and elected members maintain an oversight of all strands of improvement activities.
34. The council is making progress with its DBS programme. The aim of the programme is to improve how the council operates but also to deliver recurring savings across a range of services, to a cumulative value of £4.4 million by 2014. This programme includes a core project across services aimed at improving customer service, developing on-line services, extending flexible working and reducing the time taken to complete administrative tasks. There are two other on-going projects, a property project to create more flexible ways of working and rationalise office accommodation and a community care redesign project.
35. The council reports that it has completed the procurement, transport and plant/machinery projects. Improvements include increased car pooling, savings through procurement and the rationalisation of council property in Elgin, including the relocation to the new HQ annexe. The council's progress report from October 2012 states that if it is able to maintain momentum and control costs, it is on track to deliver the recurring savings, but now by 2015 rather than 2014. However, progress against the Scottish Government's annual efficiency targets has not been as good. The council's annual efficiency statement for 2011/12 showed it had made £4.48 million of recurring savings which, at 2.3 per cent of net revenue budget for general services, falls short of the three per cent savings target.
36. The council has been proactive in its use of the self-assessment framework PSIF. The council has delivered PSIF assessments across all services and agreed to move to a second phase in March 2011, which will run over three years. This means assessments will now be carried out across a complete directorate, to allow managers a better overall view across services. There have been some delays to the progress of PSIF in 2012/13 due to staff time being spent on the DBS programme, but the council reports it is on track to complete all services within the three year cycle.
37. The council's reporting against PSIF activity could be better. It does not give an overview of what improvements have been made in services and the impact this has had to the service user. Rather, reports focus on the roll-out of the PSIF programme and actions from individual self-assessments that remain outstanding. In September 2012 the CMT agreed to conduct a

corporate PSIF assessment and this is a welcome development. Work is still required to embed this improvement activity consistently. Some services have incorporated improvement actions from the first round of PSIF activity into their service plans, but this is not always the case.

38. Elected members and officers are now demonstrating more effective challenge and scrutiny. During the course of our audit work we saw good quality debate, well informed challenge and requests for additional information. Elected members are demonstrating an increased willingness to hold each other to account, a positive change in the culture at the council. Elected member and officer relationships are maturing and we saw more evidence of officers being held to account on their performance. These positive relationships need to continue to develop.
39. There is more evidence of senior officers leading the improvement agenda. However, the council needs to implement a clearer approach to identifying and prioritising corporate and service-level improvement. The CMT is providing elected members with regular briefing sessions to help support improved scrutiny and decision making. Officers below head of service level are being encouraged to be more accountable for their reports at committee meetings, to present the report and to respond to elected member questions. The current CMT has only been in place since October 2012, so at the time of our audit work, was yet to fully establish its approach to identifying and prioritising improvement activity.
40. Elected members currently have a minimal role in terms of prioritising improvement activity and the council needs to address this. The council has recognised that past projects have progressed slowly or have not been delivered in their entirety due to the council's high number of often competing priorities. The council has not always had a clear focus on what should happen first and where the biggest impact can be achieved. The council should therefore review its priorities for improvement and identify the people and the time they need to progress this work.

Customer focus

The council has made some progress on customer focus, including good examples of gathering customer feedback and the establishment of a working group. However, progress is hindered by the lack of a coordinated approach and minimal reporting on customer and service users' views.

41. The 2012-15 AIP concluded there was limited evidence to demonstrate how customer feedback was contributing to demonstrable service improvements. Our audit work focused on whether the council had made progress in developing a strategic approach to customer focus. By this we mean how the council ensures its customers receive a consistent experience and how feedback is used to influence service redesign and improvement activity.
42. The council does not have an overarching customer strategy, that puts the customer/service user at the centre of its activities. The council's *Best Value for Moray Improvement Plan* has highlighted customer satisfaction as an area for improvement but is not supported by an

action plan to take this forward. An overarching strategy to coordinate customer service improvements and set out service standards would support this objective.

43. The council is taking steps to develop a more corporate approach to customer focus across the council. One of the wider objectives of the council's DBS project is to improve the customer experience. This includes the development of the customer contact centre. So far Housing, Property and Direct services have moved their customer contact into the centre. The council reports it is on track to complete its service transfers by their deadline of October 2014.
44. The council does not have a consistent approach to using customer information and feedback. Although there are ad hoc examples of feedback being used, this is not evident across all services.
45. The public consultation events on the council's budget, held during autumn 2012, demonstrate a more strategic approach to seeking customer feedback. The council also introduced an online tool called 'The Moray Budget Challenge', enabling the public to use real budget information to make recommendations on future budget decisions. The council gathered feedback from its communities, through this consultation activity, to help inform the council's future priorities within the context of large scale budget reductions. The council has used that feedback to influence the budget priorities for 2013/14, to inform where it will continue to fund services and where it needs to make cuts.
46. The council has recognised that it needs to develop a better approach to engaging with customers and has set up a Customer Satisfaction Working Group to address this. The group has mapped out the different ways that services collect customer feedback. This now needs to be turned into an action plan which focusses on implementing a more comprehensive approach to customer satisfaction across the council. The council also needs to ensure that this group is represented by all services so that good practice is shared and adopted widely across the council.
47. Elected members would benefit from a more comprehensive overview of customer feedback to help them prioritise improvement activity. There are some examples of service specific customer feedback going to the relevant service committee, however this is not consistent. The P&R Committee reviewed the contact centre's performance measures in September 2012 and agreed to add in measures on the proportion of calls answered overall and those answered within the target of twenty seconds. The council has recognised that it could do more to improve how it reports on customer feedback. This needs to be taken forward in the context of the current review of performance management.

Equalities

The council has improved elected member leadership and engagement in equalities, however member take up of equalities training is poor. The council needs to continue to improve leadership of equalities and report against equality outcomes.

48. In the 2012-15 AIP update, the LAN identified equalities as an area requiring further audit work due to the limited progress in this area. The Best Value follow up report in 2010 highlighted concerns about elected member leadership of equalities. Further monitoring through the annual audit and SRA process for 2011/12 showed only limited evidence of action being taken to address the issue. Although the council said it would consider the appointment of an elected member champion for equalities in February 2011, this had not been implemented by the time the 2012/15 AIP was published in May 2012. Our audit work therefore focused on political leadership and commitment to equalities.
49. The Equalities Act of 2011 consolidated previous legislation and introduced specific duties for public sector organisations in Scotland. These include assessing and reviewing policies and practices, reporting on mainstreaming the equality duty, publishing equality outcomes and reporting progress against those. As a result of the changes in legislation, the council, in common with other councils in Scotland, needs to ensure a proactive approach to equalities.
50. The council has made progress with equalities since July 2012. The convener of the council became the equalities champion at that time. In addition to the champion role, the chair of the Communities Committee is also responsible for developing the council's approach to equalities. This joint approach has resulted in a clearer commitment to understanding and addressing equalities issues. The appointment of the champion role has raised awareness of equalities issues and prompted debate and discussion amongst members. The convener and chair of the Communities Committee both attend the Equality and Diversity Corporate Advisory Forum, the council's key equalities forum.
51. The council has taken decisions to advance its approach to equalities. These include working with the Equality and Human Rights Commission to establish good practice guidance for equality impact assessments and with Stonewall Scotland to improve engagement with lesbian, gay, bisexual and transgender people in Moray. These are encouraging developments.
52. The council has offered training to elected members on equalities, but the take-up is poor. In September 2012, the council delivered an awareness session for members on the responsibilities arising from the Equality Act, but only 31 per cent of members attended. The convener of the council has been proactive in encouraging elected members to complete the council's on-line equality training package but only 54 per cent of members have completed this training.
53. The Communities Committee is responsible for monitoring the council's arrangements for 'promoting, fostering and maintaining equal opportunities within the council'. However, both the Audit and Performance Review Committee and Policy and Resources Committee have considered reports on equalities. Although involvement across committees will help raise

awareness, the council needs to ensure it is clear where decision making and monitoring on equalities takes place, to ensure a co-ordinated and strategic approach to progressing equalities.

54. The council needs to improve its reporting arrangements on equalities. The Communities Committee approved the council's Single Equality Scheme in October 2010. There has been no reporting on performance against equality actions since the scheme was approved. This means that the council cannot be certain that it is making progress on its equalities responsibilities.

Risk management

The council has sound arrangements for risk management and reporting in place.

55. The 2012-15 AIP identified that although some progress had been made in developing risk management and business continuity arrangements, risk registers had not been timeously reviewed. The council was moving towards mainstreaming the responsibility for risk management, but the impact of this was not yet evident. The annual audit process included work on the arrangements in place to support risk management within the council.
56. The council has made progress in this area and it has implemented appropriate arrangements for risk management and reporting. The P&R Committee has responsibility for dealing with all matters relating to risk assessment and risk management and it approved a corporate risk register in October 2012.
57. Departments have risk registers and the management and maintenance of these is the responsibility of individual managers. The corporate and senior management teams have arranged for risk registers to be updated as part of annual service planning activity. However, there were inconsistencies in how service plans for 2011/12 were taking forward identified risks. Internal audit was to take on the responsibility of gathering risk registers, to be held centrally. For specific key projects, which include flood alleviation schemes and PPP school projects, there is a separate risk assessment and risk management process.

Measuring and reporting against SOA outcomes

The council and the Community Planning Partnership need to ensure their performance management arrangements allow them to know how they are doing against all of the partnership's local outcomes.

58. The 2012-15 AIP did not identify significant concerns related to the council's performance against the majority of national outcome measures. However, the LAN did not have the necessary information to evaluate progress against all of the national outcomes. Our targeted work considered the council's performance management arrangements for community planning outcomes.
59. The partnership no longer considers regular performance reports. Up until July 2011, the partnership reviewed performance through quarterly performance reports considered by the

Community Planning Board (the board). Since then there have been no quarterly monitoring reports, apart from a one-off report in March 2012.

60. The board considered the annual public performance report for community planning in November 2012. This report contains good narrative on the progress of individual projects but without outcome measures to demonstrate the impact of actions over time. In addition the report has less evaluation on some outcome areas, such as 'healthier' outcomes and 'safer and stronger' outcomes.
61. The partnership needs to ensure that the SOA has clear measures for all key outcomes to support performance assessment and progress reporting. At the time of our audit work, the draft SOA was incomplete. It had set out some milestones, such as the development of an alcohol and drug strategy but there was a lack of performance measures to track progress over time. The Scottish Government guidance of December 2012 clarifies the purpose of the SOA and describes the importance of both long-term and short term outcome measures. The partnership's previous SOA also had gaps in outcome measures and this needs to be addressed as a matter of priority.
62. Since March 2010, the board has been reviewing its approach to community planning. A report at that time indicated that the structure could be confusing, could cause delays in gaining approval for projects and there was potential duplication in staff time and with reporting. In September 2011, the Scottish Government's Location Director began working with the community planning partnership on the review of strategic outcome themes and governance arrangements. Review work has been considering the partnership's local outcomes, an updated SOA and the overarching governance arrangements.
63. From September 2011, the existing groups for each of the outcome themes; Safer and Stronger, Healthier, Wealthier and Fairer, Greener and Smarter, which were responsible for delivering and monitoring actions on SOA outcomes, ceased meeting. The council has stated this was part of a planned approach to allow partners and elected members to come together to redefine local priorities and redesign the structures and governance arrangements to take these forward.
64. The review of Moray CPP has been a lengthy process, culminating in a draft SOA for 2012-15, presented to the board in November 2012. The partnership has agreed the following six local outcomes:
 - Healthier Citizens
 - Ambitious and confident children and young people
 - Adults living healthier, sustainable independent lives safeguarded from harm
 - A growing diverse economy
 - Employability and employment skills
 - Safer Communities.
65. The board agreed revised governance arrangements in September 2012. The partnership agreed new theme groups to operate under the board. These groups are at various stages of

development with the intention that all are fully operational from April 2013. The partnership needs to ensure that these groups are able to measure and report performance against all the new local outcome priorities as well as the Scottish Government's national outcomes.

Historically, Moray's SOA has not identified measures for some local outcomes which inhibits the partnership's ability to evaluate and hence demonstrate progress.

66. Our targeted audit work did not include an evaluation of the effectiveness of community planning, but was focused on the measurement and reporting of SOA outcomes in line with issues identified in the 2012-15 AIP (which was based on evidence available up to November 2011). However, during the course of our work on community planning performance management we identified that the theme group meetings and quarterly performance monitoring had ceased as a result of the partnership's review. This gives us some concern about the delivery of outcomes and improvements for communities during that review period. However, we cannot assess the impact of this, or the effectiveness of the proposed new community planning arrangements until they have been implemented and are operational. Therefore we are considering further audit work on community planning in Moray.

Improvement agenda

67. This improvement agenda details the areas for improvement that we have identified during our targeted audit work.
68. The council and its partners need to:
- Ensure the review of community planning is implemented.
 - Improve reporting against outcomes so the partnership can better demonstrate its impact in delivering all its local outcomes.
69. The council needs to:
- Continue to build on the improvements on leadership and culture by:
 - Acting decisively in making the difficult decisions required to deliver £30 million of savings by 2016/17
 - Continuing to embed the collaborative and positive culture demonstrated at CMT more widely across the council
 - Maintaining progress of leadership development and member development programmes, specifically by:
 - Providing leadership development opportunities for all senior managers
 - Ensuring all elected members undertake personal development meetings
 - Improving member take up of development and training opportunities
 - Clarify its strategic planning arrangements to build a clear framework to support leadership and strategic direction by:
 - Aligning the council's strategic plans.
 - Developing an overarching improvement programme to help prioritise and focus improvement activity and improve reporting and governance arrangements.
 - Develop a customer focus strategy and action plan and improve reporting on customer feedback.
 - Maintain the momentum on improved leadership of equalities and improve member take-up of equalities training and reporting against equalities outcomes.
 - Improve how it measures and reports on performance, including:
 - customer feedback and satisfaction
 - continuous improvement programmes
 - equality outcomes.
70. We would ask the council to report the findings of this report to the relevant committee and develop improvement actions to respond to the above improvement agenda. It is for the council to decide how best it can take forward these recommendations. The council should bring to our attention any improvement plans that it puts in place to address these areas.

71. The council's progress against these areas will be monitored as part of the annual audit process and reported in the Annual Report to Members. The Controller of Audit will then decide whether to report to the Accounts Commission under Section 102(1) of the Local Government (Scotland) Act 1973.
72. Further audit work on community planning will be discussed with scrutiny partners and the timing planned through the Shared Risk Assessment process.

ACCOUNTS COMMISSION

MEETING 12 SEPTEMBER 2013

REPORT BY THE CONTROLLER OF AUDIT

AUDITING COMMUNITY PLANNING PARTNERSHIPS: NEXT STEPS

Purpose

1. This report updates the Accounts Commission on the proposal to undertake a further five Community Planning Partnership (CPP) audits over the next twelve months and to prepare a further national overview report on progress being made in improving community planning in Scotland.
2. The report also:
 - Explains how CPP audits fit within the broader work programme of the Accounts Commission and Auditor General for Scotland, alongside Best Value audits, performance audits and annual audit work.
 - Informs the Commission of the proposal to undertake a review of the local government Best Value audit to reflect the impact of the CPP audit and ensure it remains fit for purpose.
 - Sets out how a refined local government Best Value audit approach might complement existing local government audit and inspection activity in a way that ensures that the Commission is able to continue to discharge its statutory obligation to audit local authorities' discharge of its Best Value obligations in a streamlined and efficient manner.

The three early Community Planning Partnership audits

3. In June 2012, the Accounts Commission approved the proposed approach to the audit of CPPs and endorsed the proposed three early audit sites (Aberdeen City, Scottish Borders and North Ayrshire).
4. The audit methodology was tested at the three early audit sites during summer 2012 and the audit reports were published in March 2013.
5. A national overview report on *Improving Community Planning in Scotland* was also published jointly by the Commission and the Auditor General in March, drawing on the common messages emerging from these three reports. That report also drew on previous Best Value audit work in local government, police and fire, as well as performance audits on partnership working (eg Community Health and Care Partnerships and the role of community planning and economic development).

The independent evaluation of the three early Community Planning Partnership audits by Rocket Science

6. The three early CPP audits were subject to independent evaluation by Rocket Science. The Accounts Commission considered Rocket Science's independent evaluation report at its June 2013 meeting and, at its August 2013 meeting agreed a joint response with the Auditor General for Scotland to the report's recommendations.
7. One of Rocket Science's recommendations was that *"Audit Scotland should clearly signal an intent that all CPPs will be audited. On the basis of our findings we agree that it is appropriate and realistic in the first instance to roll out another 4 – 5 CPP audits over a period which ensures that the time constraints of the early audits are not repeated."*
8. The Accounts Commission and Auditor General for Scotland are clear that CPPs, and partnership working more generally, will continue to be an important focus of their work in future. However, they did not think it necessary, or desirable, at this stage to commit to a full programme of auditing all 32 CPPs. Instead, it was agreed that up to five further CPP audits would be undertaken in 2013/14 and a further national report on improving Community Planning in Scotland would also be prepared in 2014. The audit approach will be kept under review and will continue to be refined to ensure that it reflects the changing context of public service delivery in Scotland.
9. This approach reflects the joint commitment from the Accounts Commission and Auditor General for Scotland to continue to maintain an independent overview of the progress that is being made nationally and locally in securing the improvements in community planning that are anticipated in the March 2012 Statement of Ambition for Community Planning as part of their core programme of work.

The next five CPP audits: 2013/14

10. In taking forward the next phase of CPP audits on behalf of the Accounts Commission and Auditor General for Scotland, we have selected a sample of community planning partnerships that provide a reasonable spread of size, geography, risk and which face a range of different challenges in relation to partnership working.
11. The CPP audit programme that is proposed for the next twelve months is:
 - Glasgow City CPP
 - Falkirk CPP
 - Moray CPP
 - West Lothian CPP
 - Orkney CPP.
12. These five partnerships have all indicated their willingness to be audited and to participate in the further testing and refinement of the CPP audit approach.

How the CPP audits sit alongside the Commission's broader work programme

13. The work that Audit Scotland undertakes on behalf of the Accounts Commission and Auditor General for Scotland allows us to look across the whole of the public sector and track policy development through to local implementation and the effect on outcomes. The audit of community planning and CPPs is a good example of the Accounts Commission and Auditor General for Scotland maintaining an independent overview of how an important aspect of the public service reform agenda is being delivered at both local and national level.
14. CPP audits are just one part of the wider work programme that is carried out on behalf of the Accounts Commission and Auditor General. This broader work programme includes:

- Annual audits of around 185 public bodies, including 32 councils and various joint boards.
- Best Value audits and targeted Best Value audit work.
- Performance audits.
- The 'How councils work' series.
- The annual local government overview.
- 32 shared risk assessments with associated assurance and improvement plans and the national scrutiny plan for local government.
- The National Fraud Initiative.

15. In addition, Audit Scotland carries out other work on behalf of the Accounts Commission and Auditor General that may result in a published output:

- Correspondence
- Statutory reports (S102 reports in local government and S22 reports for health and central government)
- Issues of public concern.

These types of work are largely dependent on issues and risks arising, either through the annual audit, or from correspondence from elected members (MP, MSP, councillor) or a member of the public. They are therefore harder to plan for by nature.

Resourcing the next five Community Planning Partnerships audits

16. The three early CPP audits were delivered from within existing resources, using resources which had previously been deployed on the BV audits in police and fire and rescue, supplemented by some performance audit resource.
17. We have already demonstrated through the three pilot audits and national reporting that we are able to integrate the auditing of CPPs within our core activity without disrupting our ability to deliver our existing work commitments. That will continue to be the case as we take forward the next five CPP audits. The three early audits were delivered at an average cost of just under £90,000 and we believe this continues to be a realistic target for the next five. The Best Value audit programme continues to be driven by the SRA process and we will deliver the proposed Best Value audit activity that was agreed by the Accounts Commission in June 2013 alongside the proposed five CPP audits. There is, of course, an opportunity cost in undertaking the five CPP audits in that those resources could have been used to support, for example, additional performance audit or How Councils Work activity.

The potential implications for the audit of best value and community planning

18. The local government BV2 audit was developed in 2009 to have a stronger focus on partnership working and the achievement of improved outcomes. This reflected the concerns raised by the local government community, and shared by the Commission, that the perceived focus on management arrangements and 'process' in the BV1 audit was increasingly out of step with the outcome-focused approach to planning and delivering public services.
19. As the BV2 audit has taken a stronger focus on partnership working and the achievement of improved outcomes, it has been constrained to some extent by the fact that the local government Best Value audit focuses on the role of councils in leading and facilitating community planning, rather than considering the contributions of other statutory partners.

20. The introduction of the CPP audit has allowed us, for the first time, to take a more systemic view of the effectiveness of community planning and partnership working in a local area. However, the introduction of the CPP audit alongside the local government BV2 audit raises the risk of duplication of effort between the BV audit and CPP audit.
21. The Commission has previously considered the implications of undertaking CPP audits on the local government Best Value audit. The Commission agreed at its 2013 strategy seminar to ask Audit Scotland to undertake a review of the best value audit, to ensure it remains fit for purpose and that it sits comfortably alongside the audit of CPPs. This review is currently being scoped, under the leadership of Ronnie Nicol, and we will bring a report to the Commission in due course.

Conclusion

22. The Commission is invited to:

- endorse the proposed CPP audit programme for 2013/14
- note how CPP audits fit within the broader work programme of the Accounts Commission and Auditor General for Scotland, alongside Best Value audits, performance audits and annual audit work
- note the proposal to undertake a review of the local government Best Value audit during 2013/14 to reflect the impact of the CPP audit and ensure it is fit for purpose.

Fraser McKinlay
Controller of Audit
4 September 2013

ACCOUNTS COMMISSION

MEETING 12 SEPTEMBER 2013

REPORT BY ASSISTANT AUDITOR GENERAL

**REPLACEMENT OF 1985 LOCAL AUTHORITY ACCOUNTS (SCOTLAND)
REGULATIONS – SPECIFIC ISSUES**

Purpose of Report

1. The purpose of this report is to seek the Commission's views on issues relating to the local authority proper officer and audit committee to inform a response to the Scottish Government's consultation on draft Regulations to replace the Local Authority Accounts (Scotland) Regulations 1985 (1985 Regs).

Background

2. In discussing the Government's proposals at the Commission meeting on 22 August 2013 the Commission requested a further paper covering three specific issues:
 - The desirability of requiring the proper officer for finance to be appropriately qualified
 - The desirability of prescribing the position of the statutory finance officer in a local authority's management structure.
 - The desirability of prescribing the establishment of a council audit committee.
3. This paper outlines the factors to be considered and options for the response to the Consultation.

Issues for discussion

a) The desirability of requiring the proper officer for finance to be appropriately qualified

Current position

4. Local authorities are required to appoint a proper officer for the administration of their financial affairs under section 95 of the 1973 Act. Under regulations the proper officer is required to ensure that the statement of accounts give a true and fair view and to sign the statement of accounts to that effect. There is no requirement for the proper officer to be a qualified accountant.

Considerations

5. In England & Wales the equivalent officer is required to be a member of a specified list of accountancy bodies under section 113 of the Local Government Finance Act 1988.
6. Some other service heads such as social work are required to hold specified qualifications.

7. In the private sector there is no legislative prescription that there should be a finance director (as responsibility legally rests with the Board as a whole) or that any finance director should be qualified. However for public companies and larger private companies shareholder expectations would make it virtually certain that the finance director role will exist and be occupied by a qualified accountant.
8. In central government there is no legislative requirement for the role of finance director or for any individual holding the role to be qualified. However for Whitehall departments there is strong Treasury pressure for that to be the case and most significant bodies will have a qualified accountant at the top table whose role will include finance.
9. CIPFA's Statement on the Role of the Chief Financial Officer says that the officer "must be professionally qualified and suitably experienced."
10. Many of the councils where the Commission has had cause to question the financial management of the body or of a project did have professionally qualified proper officers. The presence of a qualification does provide the Commission with the option to refer such cases for disciplinary consideration by the relevant professional body.

Options for responding

11. The options for responding are:
 - Say nothing – this issue was not included in the consultation.
 - Stress the importance of councils and senior management teams having access to high quality financial information to inform decision making but make no suggestion regarding the qualification of the proper officer.
 - Suggest that the Scottish Government consider strongly advising professional qualification for proper officers in the circular/guidance to accompany the new Regulations.
 - Recommend that the Scottish Government should make a professional qualification mandatory.

b) The desirability of prescribing the position of the statutory finance officer in a local authority's management structure.

Current position

12. There is no legislative requirement for the proper officer to be a member of the top management team.
13. Current practice varies amongst councils. Some have the proper officer as a member of the most senior management team, sometimes purely as finance director but often combined with other corporate services roles. Others have single senior corporate services lead role on the management team with the proper officer at a lower tier but frequently attending and advising the senior team.

Considerations

14. In the private sector there is no legislative prescription that there should be a finance director (as responsibility legally rests with the Board as a whole). However for public companies and larger private companies shareholder expectations would make it virtually certain that the finance director role will exist and be a member of the board of directors.
15. CIPFA's statement on the role of the Chief Financial Officer says that the officer

"is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;"
16. Requiring the proper officer to be a member of the senior management team (especially if also required to hold a professional finance qualification) will restrict the ability of councils to operate with very small management teams.
17. In central government there is no requirement for there to be a finance director or that any finance director is a member of the senior management team although Treasury strongly recommend that Whitehall departments do. In the NHS Boards generally have a Finance Director amongst the executive members of the Board.

Options for responding

18. These are very similar to those for the issue of qualification for proper officers:
 - Say nothing – this issue was not included in the consultation.
 - Stress the importance of councils and senior management teams having access to high quality financial information to inform decision making but make no suggestion regarding the position of the proper officer.
 - Suggest that the Scottish Government consider strongly advising councils that the proper officer should be a member of the senior management team in the circular/guidance to accompany the new Regulations.
 - Recommend that the Scottish Government should make membership of the senior management team mandatory for the proper officer.

c) The desirability of prescribing the establishment of a council audit committee.

Current position

19. Legislation does not specify that there should be any specific committees within a council's structure.
20. The proposed regulations require the statement of accounts to be approved by either the full council or by a committee whose functions include audit.

Considerations

21. Committee structures are not generally prescribed in legislation as to do so restricts organisations ability to adapt to changing circumstances and expectations in a timely manner.

22. Contemporary expectations of committees are often included in codes of recommended practice such as the UK corporate governance code on a comply or explain basis. For public companies shareholder expectations will exert pressure to comply.
23. All councils currently have a committee whose role includes audit.
24. Mandating only the existence of an audit committee would not be sufficient to ensure good practice. There would need to be further regulation or guidance on the membership, role and operation of the committee to make any real impact. Such guidance exists in the private sector, in central government through documents such as On Board and for local government from CIPFA.

Options for responding

25. There are no proposals for mandatory audit committees in the draft regulations but there is a consultation question on the issue. Options for responding include:
 - Stress the importance of councils devoting sufficient resource to consideration of audit matters in a non-party political way but make no suggestion regarding the mandating of an audit committee.
 - Suggest that the Scottish Government consider strongly advising councils to have an audit or audit and risk committee in the circular/guidance to accompany the new Regulations.
 - Recommend that the Scottish Government should audit committees mandatory and that they should provide accompanying guidance on membership, role and operation of the committee.

Recommendation

26. The Commission is invited to form views on the above matters to inform a response to the Scottish Government consultation.

Russell Frith
Assistant Auditor General
4 September 2013

ACCOUNTS COMMISSION

MEETING 12 SEPTEMBER 2013

REPORT BY ASSISTANT AUDITOR GENERAL

EXPECTATIONS OF AUDIT – CONSULTATION WITH ACCOUNTS COMMISSION

Introduction

1. The purpose of this report is to seek the Commission's views on proposals to consult with the Commission on the Expectations of Audit project.

Background

2. The range and scope of our audit work has evolved since the formation of Audit Scotland in April 2000 in response to developments in the public sector in Scotland but has not been reviewed as a whole during that time. Much of what we do is of a high quality and makes a significant impact but in a changing environment there must be scope to review our audit products and demonstrate continuous improvement in the range, scope and impact of our work.
3. The Corporate Plan 2012-15 Priorities for 2013 includes "a review of the expectations of audit to help maximise the impact of our work, focusing on the scope and reporting of audits". This project seeks to ensure that our audit work and products are fit for the environment that we will be working in over the next few years and help us to demonstrate that we are achieving our vision of being a world class audit organisation that improves the use of public money.
4. Whilst statute sets out at a high level the scope and limits of our audit responsibilities and powers much of the work that we do in practice has a good deal of discretion attached to it, for example the number and scope of performance audits. This review seeks to find out how we can exercise that discretion to obtain maximum benefit for our stakeholders.
5. The Expectations of Audit scope was considered by the Commission at their Strategy Seminar on 22/23rd April 2013.
6. Since that time, the following work has commenced:
 - A programme of external stakeholder consultation
 - Benchmarking with other audit agencies both in the UK and overseas
 - A programme of consultation with internal stakeholders – the Accounts Commission, the Auditor General, Audit Scotland Board, Audit Scotland staff and private audit firms through meetings, workshops, surveys, articles and Reconnect events
7. The Accounts Commission is a primary stakeholder and it is important that we engage with you in an on-going discussion to allow the Commission to fully explore the issues and consider the emerging findings from the external stakeholder consultation and benchmarking work-streams. The specific proposals for consulting with the Commission are set out below.

Expectations of Audit Project – Proposals to engage with the Accounts Commission

8. The following approach is proposed:

- September - Short email survey of all Commission members covering 4 key questions. This survey will be the same as that issued to Audit Scotland staff to allow direct comparison of the findings
- October Commission meeting – Using the survey findings, more detailed workshop discussions in private session over lunch (this follows the same model as the Audit Scotland staff engagement with discussion of the survey findings at the Reconnect events)
- January/February Commission meeting – Report to the Commission at the conclusion of the internal stakeholder, external stakeholder and benchmarking work-streams to seek the views of the Commission on these findings in light of their own discussions, and provide opportunity for initial reflections on the implications
- March/April – Report draft findings of the Expectations of Audit project to the Commission exploring options and recommendations for change.

Conclusion

9. The Commission is asked to endorse this proposal for engagement with the Commission in the development of the Expectations of Audit project.

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4 September 2013