

The new audit of Best Value Consultation paper – July 2003



Introduction

1. The Local Government in Scotland Act 2003 gives local authorities a new power to promote or improve the well-being of their area and the people living within it. The Act also repeals legislation on Compulsory Competitive Tendering (CCT), and establishes new duties on local authorities, including:
 - *making arrangements which secure Best Value, defined as continuous improvement in the performance of the authority's functions, having regard to efficiency, effectiveness, economy and equal opportunities;*
 - *discharging their duties in a way which contributes to sustainable development;*
 - *maintaining a Community Planning process;*
 - *making arrangements for reporting to the public on their performance;*
 - *meeting new rules relating to significant trading operations.*
2. The Scottish Executive is issuing Statutory Guidance to accompany the Act, and local authorities must have regard to this guidance as well as any generally recognised, published code.
3. The Act establishes audit responsibilities for the Accounts Commission in relation to the provisions it contains. We have therefore, through the work of Audit Scotland, developed new arrangements to audit the way councils are responding to the new duties.
4. In this paper we explain the approach we will be taking in the audit, the main principles on which it has been built and the main elements of the audit process. The shorthand term "Audit of Best Value" covers arrangements to audit all of the new duties for councils, including Community Planning and Public Performance Reporting.
5. We have chosen to build on existing audit arrangements as far as possible, but our new audit also includes significant changes in approach, such as a greater emphasis on performance results and on the circumstances in which each individual council is operating. We have learned from our experience of working with local government over the last few years, and we have taken account of the views of our stakeholders, including local authorities themselves.
6. In November last year, we consulted informally with councils and others about our early thinking and the direction we hoped to take. The response we received at that time suggested strong support for the overall principles and general approach, and we have now developed more detailed audit processes.
7. We have tested these through pilot work in two councils. We would like to take this opportunity to thank the members and officers from the councils concerned – North Lanarkshire and Perth and Kinross – for the assistance and co-operation they have given us.

8. Feedback from this formal consultation, and the final results from our pilot exercises, will allow us to approve the audit process later this year. We intend to start the first council audits of Best Value from November 2003 onwards. To allow the process to mature and develop, we will audit a small number of councils in the first year, and build on our experience of this early audit work and feedback from the councils involved.

General Principals

9. We are launching the new audit arrangements at a time of significant change for local authorities, and reform of the public sector in general. We recognise that it takes time for these changes to become fully effective. However, alongside central government and councils themselves, we are committed to contributing to high quality local services that respond to needs of citizens and service users.
10. We are conscious of the fact that councils have been developing Best Value on a voluntary basis since 1997. While individual councils started from different baseline positions, they have all had a significant opportunity to put the essential elements in place during the last six years. The new Act provides a statutory basis for these now familiar requirements, and audit teams will have high expectations of councils on these matters.
11. However, the Act also introduces requirements that councils may have had less time to get to grips with. During the early audits, it will be understandable if these areas are less well matured, but we will expect clear development plans to be in place to achieve all of the Act's requirements within a suitable period of time.
12. We believe that the statutory basis for Best Value and Community planning is of particular significance to elected members. The Commission will expect local authority members to be aware of and to be fulfilling their proper role in these areas. This means:
 - having a firm grasp of how all of the council's services are performing
 - encouraging them to improve
 - reporting performance in a balanced and honest manner
 - contributing to the new arrangements for joint working through Community Planning.

We will expect council members to address their responsibilities for performance improvement in a robust and challenging manner.

13. We are committed to a partnership approach, and have designed the new audit in a way that avoids unnecessary duplication of scrutiny. We have been working with the various inspectorates and other scrutiny bodies, with the aim of allowing our overall assessment in each council to be informed by their inspection work. Where a robust and systematic inspection or regulation system exists for a particular local authority service or activity, we will not carry out any additional audit work in that area, but instead, found on the conclusions of the inspectors. This will allow specialists to concentrate on their own areas of professional standards and practice, and contain the overall level of audit and inspection for councils.

14. While previous approaches to auditing Best Value were concerned with processes and the way things were done, we are determined to focus much more on performance results and the outcomes of council efforts. We may still be interested in how results are achieved, and we may suggest that in some cases the key to improved results may lie in better processes, but there will be a shift in emphasis towards results and a major focus on improvement.
15. Finally, we have recognised a clear signal from government that they wish to apply a descriptive, rather than a prescriptive, Best Value regime, allowing local solutions to be developed on a basis of what works best. We have reflected this approach in the new audit, which will discourage a 'tick box' or compliance approach from councils and, as far as possible, will allow each local authority to articulate things in its own way. We have also allowed for much more account to be taken of individual local circumstances and will tailor the audit to suit. While audit teams will challenge councils to fully demonstrate that they are improving, this will be done with a minimum of bureaucracy and will use existing council information systems, assuming they are fit for purpose.

Key features of the new audit

16. This section of the consultation paper sets out the key features of the new audit, which is outlined in more detail in the Annex. We have taken an approach that builds on what has already been done in Scotland since 1997, learning from that experience, and seeking to maintain the established consensus that seeks to ensure responsive, high quality public services for the people of Scotland.
17. In normal circumstances, councils will be subject to the new audit once every three or four years. This reflects the need to allow for appropriate depth of audit, and recognises the time needed by councils to implement improvement actions effectively. There will be some transitional audit work in councils prior to their first full BV audit. Between each full audit, progress on improvement actions will be monitored as part of the appointed auditors' annual duties.
18. The Best Value audit will be carried out by a small team. This will be made up of specialist staff from Audit Scotland, together with the council's appointed auditor. We have made this change to ensure that people with the right skills, knowledge and experience will be working with councils through the audit. This new approach will also contribute to consistency and to clearer identification of examples of good practice which can be rolled out across local authorities as appropriate.
19. There will be a significant role for a council's own evidence based self-assessment of performance, management arrangements and areas in need of improvement. Councils will be expected to report on how they satisfy their statutory duties under the legislation and how their risk management arrangements operate.
20. The Best Value audit will be directed at the council as a whole, as the body responsible in statute for the standards and performance of all functions and activities.

21. The audit will incorporate issues of good management practice and corporate governance, with existing certifications such as Internal Control Statements taken fully into account. It will draw on a wide range of information that is available on the performance of a council, including inspection reports, value for money studies, statutory performance information and the council's own performance information and reporting. We will expect councils themselves to have effective risk management processes in place that have identified the key areas in which improvements are required.
22. The Commission will receive a report following each Best Value Audit, which will contain contextual information, the main issues arising from the audit, and the Controller of Audit's conclusions. Having considered the report, we will state our findings and make any appropriate recommendations. We hope to meet with the council in each case to discuss our findings. We are committed to supporting and encouraging improvement, and it is expected that, in most cases, the audit results will focus on broad strengths and weaknesses and the agreed improvement action plan. However, there may be cases where a more critical response is required. Where in subsequent years there is evidence that a council has not addressed or progressed the agreed areas of improvement action, the Commission may take further graduated action to hold a council to account.
23. We have made a clear policy commitment that we will not apply a single label to councils at the end of the process, such as 'good' or '5 star'. We will endeavour to provide as clear a picture as possible of the overall performance of the council, and believe that this process will contribute to increased public accountability around the duties of Best Value, Community Planning and Public Performance Reporting.

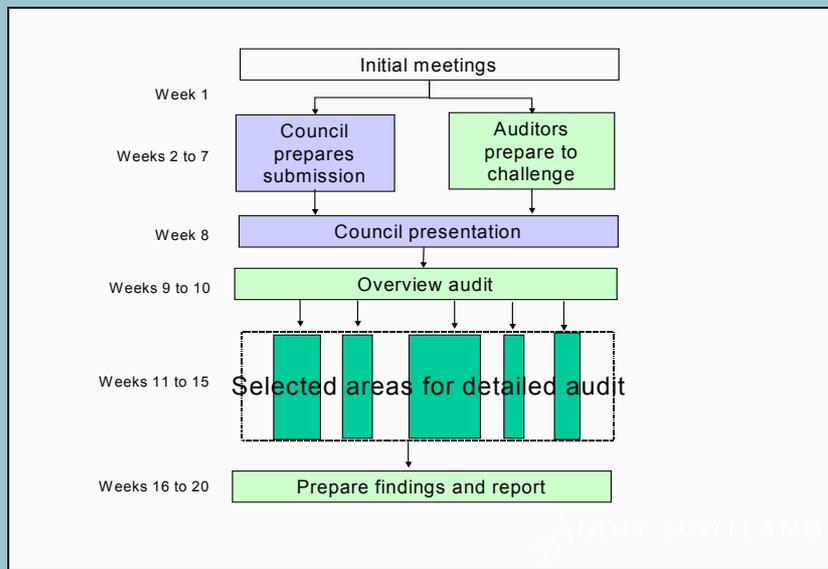
Annex

Summary of the audit process

Notice period for councils

- (a). We will normally use a two-stage process to inform councils about the programme of audits of Best Value. At the start of each year, around ten councils will be selected and informed that they will be audited during the following 12 months. They will have an opportunity to let us know of any significant and extraordinary event planned for this period, that the Commission should consider avoiding. (This might be an event that will tie up senior management capacity, such as the key stage in delivering a major project, or a period of major internal reorganisation.) About six weeks before the audit is planned to start, the council will be informed, enabling it to start its preparations for the audit.
- (b). There could be exceptions to this general pattern where the audit needs to react to events. For example, if serious concerns emerge about a council's performance it might be important, in the interests of public confidence, to carry out an audit at short notice. The first year of the new audit arrangements will be likely to involve a smaller number of councils to allow our new arrangements to mature.

Exhibit 1 Main elements of the audit



There are three main elements in the audit of Best Value. For the first six weeks, the council prepares a submission based on its own self-assessment of its performance in relation to Best Value and Community Planning. This is followed by a short overview audit, during which the team carries out a high level review of all areas. A detailed audit of selected areas is then carried out.

- (c). *At the initial meeting, normally with the Chief Executive and the Leader, practical arrangements for the audit will be discussed, covering the main stages and agreeing a timetable. We are also keen to meet with Directors and members at an early stage, to discuss the objectives of the audit and answer any questions they may have. This might be at a Council Management Team meeting.*
- (d). *This is followed by a period of around six weeks, during which the council prepares its audit submission. The council will then be expected to make a presentation for the audit team – attended by elected members and appropriate Directors – to highlight key issues and to give the audit team an opportunity to seek clarification on the submission. The next section of this guide provides more information on the submission and presentation.*
- (e). *The audit itself is split into two main phases. For the first two weeks or so, an overview is carried out, aiming to cover all strategic issues relating to service performance and management arrangements. Together with the council's self-assessment as contained in its submission, this is then used to identify areas which we want to review in greater detail. We are also happy to consider suggestions from the council on areas where a more detailed audit would be useful.*
- (f). *The main part of the audit is then expected to take around four or five weeks, focusing on priority areas. The audit will be carried out using a mixture of interviews (with managers, members and others), observation (attending committee meetings, for example), and reviewing key documents.*

The Council Submission

- (g). *Ownership is of fundamental importance to Best Value. This is reflected in the audit, where self-assessment is a key element. Councils will be asked to compile a submission, assessing the performance of their services and setting out how they have addressed each of the Best Value criteria.*
- (h). *This self-assessment is not a public document; but the starting point for the BV audit. The submission should reflect a corporate view of a council's performance, agreed by elected members and senior management. It should, therefore, be signed by the Chief Executive and the Leader. Usually six weeks will be allowed for a council to complete its submission.*
- (i). *We are happy for each council to determine the format and style of its submission. However, to help focus the assessment on the key issues, we suggest that it reflects the following structure.*

Exhibit 2

Council Submission

Contextual information	<ul style="list-style-type: none"> ● Economic & demographic context ● Key strategic objectives & priorities ● Management & political structures ● Description of performance management system
Performance	<ul style="list-style-type: none"> ● High level assessment for the Council overall and each service ● Derived from normal performance management information systems
BV criteria	<ul style="list-style-type: none"> ● Structured on the Best Value and the Community Planning guidance. ● Brief summary, with x-refs.
Draft Improvement Plan	<ul style="list-style-type: none"> ● SMART, prioritised
Documentation	<ul style="list-style-type: none"> ● Key documents
Presentation	<ul style="list-style-type: none"> ● Members & officers ● Question & answer session

Councils have six weeks to prepare a submission on their Best Value and Community Planning performance. This needs to be a balanced assessment, showing gaps & shortcomings, as well as successes. The submission should be signed by the Chief Executive and the Leader.

Contextual information

- (j). *The first part of the submission should briefly set out the context in which the council operates. For example, an analysis of the key economic and social aspects of the area served by the council would help to explain local issues and priorities. Similarly, an outline of the council's political management structure would help us to understand its approach to leadership or scrutiny issues.*
- (k). *We suggest that this part of the submission takes up no more than two or three pages, but is sufficient to inform the audit team's understanding of the later sections.*

Performance

- (l). *The second, and perhaps the most important, part of the submission should assess the current performance of each of the council's main services. We expect this to be balanced, reflecting the realities of finite resources and competing priorities. As well as highlighting successes, it should identify weaker areas in need of improvement.*
- (m). *Councils should use whatever measures and evidence they feel are relevant and valid. Ideally, these would be drawn from existing performance management systems. Evidence to support performance assessments could include:*
- *Targets and actual performance*
 - *Trends*
 - *Benchmarking and other comparative information*
 - *Performance indicators*
 - *Performance against national standards or targets*
 - *Service/business plan achievements.*
- (n). *To assist us in targeting the detailed audit work, for each service, the submission should conclude with a score summarising the council's view of its current performance. This score is solely for the purposes of the audit process and is seen only by the audit team. It will not form part of the findings from the audit and will not appear in the audit report.*

Best Value Criteria

- (o). *Ministerial guidance has been prepared to support the Local Government in Scotland Act. This provides a definition of the main elements of Best Value and Community Planning, and suggests ways in which councils can meet these criteria.*

Exhibit 3 Best Value criteria	
Commitment & leadership	Competitiveness & trading
Responsiveness & consultation	Sustainable development
Sound governance & management of resources	Equalities
Review & option appraisal	Accountability

Ministerial guidance has been prepared to support the Local Government (Scotland) Act. It uses eight main criteria to define Best Value. Detailed guidance has also been issued on Community Planning.

The guidance sets out broad goals for local authorities. It should not be seen as providing a detailed template for local management arrangements.

- (p). *It needs to be stressed that the detailed guidance underpinning each of these criteria is descriptive and not prescriptive. It sets out broad principles and goals, but leaves each council to decide on its own local arrangements. The guidance should be seen as a starting point, rather than a template. Therefore, we expect to find councils using a range of different means to get to the same ends. Effectiveness is more important than conformity.*
- (q). *For each of the eight Best Value criteria, and for Community Planning, the submission should set out the council's management arrangements, referring to policies, evidence of performance, and contact names. Generally, no more than two or three pages should be used for each criterion.*
- (r). *Again, for each BV criterion, the submission should conclude with a score summarising the council's views of its current management arrangements. As with the performance section, these scores are for targeting our work, and will not be part of any findings or report.*

Draft Improvement Plan

- (s). *Following on from the council's assessment of its performance, it should set out the action which it proposes to take to address the weaknesses that have been identified. Each of these actions should be SMART (specific, measurable, achievable, realistic, and time related).*
- (t). *The draft Improvement Plan should focus on key priorities, perhaps referring to other detailed plans, rather than aiming to be a comprehensive list. The audit will check that the draft Improvement Plan addresses all of the key issues and that it meets the SMART criteria. The final version of the Improvement Plan, agreed at the end of the Best Value audit, will be used as the basis for follow-up audit in subsequent years.*

Copies of documentation

- (u). *Inevitably, copies of documents such as corporate policies and service plans will be needed to support the self-assessment. A list of key documents is listed in Appendix A, but many of the specific items will vary between councils. Documents will often be available from council web-sites or from the appointed auditor. Specific requirements will be discussed with each council.*

Presentation

- (v). *The final stage in preparing the submission should be a presentation, attended by senior managers, councillors, and the BV audit team. The presentation is intended to allow:*
- i. the council to highlight what it sees as the key elements of its submission;*
 - ii. the audit team to introduce themselves and the audit to the key people within the council;*
 - iii. the audit team to ask initial questions and seek clarification on aspects of the submission.*

It is for each council to decide on its representation. However, we suggest that, at a minimum, it includes the Chief Executive and the Leader, and that councils should consider inviting Directors and executive members or committee conveners.

Reporting

- (w). *Each Best Value audit will result in a report being presented by the Controller of Audit to the Accounts Commission. This is an important change from the previous arrangements relating to PMP reports, which were issued by appointed auditors to councils. The reports will be public documents and we anticipate that they will attract significant public and media attention. It is important, therefore, that they set out a balanced view on council strengths and weaknesses that is accepted as being reasonable.*
- (x). *The main focus of the Best Value audit reports will be the council's own performance, rather than comparisons between councils. The reports will not use league tables, scores, or overall labels to rank councils. Instead, the focus will be on the evidence to show that each council is meeting its Best Value and Community Planning requirements and is achieving continuous improvement. While some comparisons may be made in order to form a judgement on potential performance levels, the emphasis will be on trends within the council itself and on the commitments made in the agreed Improvement Plans.*
- (y). *As mentioned earlier, some aspects of Best Value and Community Planning are relatively new requirements for local authorities. Therefore, in areas such as equalities and sustainability we do not expect councils to have a fully developed approach or evidence of a strong performance, at least in the first year or so. This level of expectation will be reflected in the Best Value report. However, the reports are likely to be more critical where significant weaknesses are found in core aspects of Best Value which have been established for several years. One of the most important parts of the report will be an agreed Improvement Plan, based on the draft prepared by the council as part of its self-assessment.*
- (z). *A draft report will be provided to the council, normally within three weeks of the end of the audit. The council will be given an opportunity to suggest amendments before the report is finalised and issued by the Controller of Audit. The Commission will produce findings on every report, and hopes to meet with the council to discuss these in each case. In some cases, the Commission might note the audit findings and await the following year's annual audit report for information on the extent to which the council has achieved its improvement plan. In other instances, it may supplement the audit report with further comment or recommendation. For some authorities, the Commission may also:*
- *direct the Controller of Audit to carry out further investigations;*
 - *hold a hearing;*
 - *state its resulting findings, which may include recommendations.*

Responses to consultation

Comments on our proposals should be made by 12th September 2003, although responses earlier than this would be appreciated.

Please send these to:

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