

EAST AYRSHIRE COUNCIL

CORPORATE GOVERNANCE COMMITTEE – 10 FEBRUARY 2004

THE AUDIT OF BEST VALUE – YEAR ONE

Report by the Depute Chief Executive/Director of Corporate Resources

1. PURPOSE OF REPORT

- 1.1** To advise the Corporate Governance Committee of the Accounts Commission's arrangements for the Year One Audit of Best Value and to ask the Committee to note the preparation of departmental Best Value Position Statements in readiness for the forthcoming Transitional Audit Work – 2003/04.

2. BACKGROUND

- 2.1** Reports on the Local Government in Scotland Act 2003, the Statutory Guidance that now supports the new Duty to Make Arrangements to Secure Best Value and the development of the audit framework to ensure that councils are complying with their statutory responsibilities have been considered previously by the Senior Staff Management Team, the Corporate Strategy Group and by the appropriate Council Committees.
- 2.2** The Accounts Commission has been working towards the establishment of a new audit framework to support the requirements of the Local Government in Scotland Act, 2003, including a number of formal and informal consultation exercises with councils and 2 pilot audits conducted in North Lanarkshire Council and Perth and Kinross Council. This Council's response to the Accounts Commission's formal consultation on its New Audit of Best Value was approved by the meeting of the Emergency Powers Committee on 28 August 2003.
- 2.3** The Commission has now confirmed how it intends to proceed with the Year One Best Value Audit. Whilst the Council has not been included in the full Year One Audit programme, appropriate steps are being taken to ensure that we are able to respond appropriately to the Transitional Audit Work due to be carried out by our External Auditor over the coming months.

3. THE AUDIT OF BEST VALUE – YEAR ONE

- 3.1** The Council's response to the Accounts Commission's consultation was generally supportive of the principles and direction of the proposed audit process and the Commission has confirmed that the general response from councils has been very positive. The Accounts Commission has also highlighted that a number of questions and concerns were raised through the wider consultation exercise and these are briefly summarised below, together with the Commission's response:-
- a number of councils sought clarification or further explanation on various matters and the Commission has confirmed that this will be provided

through the audit guide that it intends circulating to councils in the near future;

- the issue of how councils will be notified about their selection for audit has been considered by the Commission and it is intended that the councils selected for audit in the following calendar year will be announced each September or October. Audit Scotland's operational considerations will determine the order in which audits then take place, but the programme and planned order of audits will be confirmed with the councils involved and contact made with councils to discuss a provisional timetable;
- the issue of councils scoring themselves in identifying their strengths and weaknesses has been considered further by the Commission. It is proposed that this be an area for discussion with each council at the initial audit set up meeting, but the Commission has confirmed that where any council has a problem with numeric scoring this requirement can be dropped. This matter will be considered further when the audit guide is received;
- the Commission has confirmed that it would be willing to extend the 6 week timescale proposed for councils to prepare their audit submission, but only where at the initial audit set up meeting the council can justify this;
- the Commission is also willing on a case by case basis to be flexible in the manner in which a council's audit submission is 'signed off'. The requirement for the submission to be signed by the Council Leader and the Chief Executive was questioned by some councils, who advised the Commission that it would require to be agreed by all Members and fully discussed and approved at a council meeting. The Commission fears that this could have implications for the audit through councils feeling that they must defend their submissions and thereby remove the flexibility needed to negotiate changes to improvement plans. Again, this will be a matter for councils selected for the Year One Audit through discussion at the initial audit set up meeting.

3.2 The Accounts Commission has named the councils selected for audit in the first year of the new arrangements:-

- Angus
- Dundee
- Inverclyde
- North Ayrshire
- Shetland
- Stirling
- West Lothian.

3.3 The Commission has confirmed that it hopes to audit all councils over the next 3 years and has given a commitment to learn from the early audits and use this experience to develop the audit approach. It is intended to set up a Reference Panel involving stakeholder representatives to assist in this.

3.4 Whilst no further audit work will be carried out in relation to those services involved in the PMP audits, the Commission rightly highlights the need for councils to ensure that outstanding improvement plans are followed through. Directors have, where relevant, ensured that any outstanding PMP related improvement actions are progressed.

3.5 The Commission has advised that for councils not involved in the full Best Value Audit in Year 1, external auditors will carry out some 'Transitional Work' for 2003/04, resulting in the preparation of a report by the auditors on the key issues relating to the statutory duties set out in the 2003 Act. Again, an audit guide will be produced by the Commission to provide further details of this Transitional Work. However, at this stage, the Commission has provided a summary of the areas the auditor's report should cover:-

- a description of the council's performance management system;
- the role of elected members in scrutinising performance;
- a summary of the performance of each service;
- a brief note on what Public Performance Reporting the Council undertook in 2003;
- a summary of current arrangements for Community Planning.

4. IMPLICATIONS FOR EAST AYRSHIRE COUNCIL

4.1 Clearly, the announcement by the Accounts Commission results in East Ayrshire Council not being involved in the full Best Value Audit in 2004. However, as highlighted above, the External Auditor will undertake the Transitional Work within the Council and this will require a level of preparedness both at a corporate level and also departmentally. Significant work is ongoing primarily through the Senior Staff Management Team and the Council's Corporate Strategy Group to respond appropriately to the challenges set out in the Local Government in Scotland Act, 2003.

4.2 At the time the Accounts Commission undertook its formal consultation on the proposed new audit arrangements in August 2003, the Senior Staff Management Team agreed that it would be helpful to commence some initial preparatory work to ensure that the Council was in a position to respond positively to the requirements of the final audit framework. In particular, it was agreed that all departments prepare a Best Value Position Statement, setting out how they have discharged their Best Value responsibilities since the introduction of the Best Value Regime in 1997. This provides an opening balance statement of the improvements and achievements secured by departments through the application of a Best Value approach.

4.3 It is anticipated that the departmental Best Value Position Statements will provide a useful starting point for Directors in their response to future audit requirements and assist in the corporate submission in relation to the forthcoming Transitional Audit Work.

4.4 All of the departmental Best Value Position Statements have been included as Background Papers to this report and can be obtained by Members through the Council's Head of Corporate Development and Communication or direct from

Service Directors. Additionally, a copy of each department's Best Value Position Statement has been placed in the Members' Information Point for reference purposes.

5. RECOMMENDATIONS

5.1 The Corporate Governance Committee is asked to:-

- (i) note the requirements set out by the Accounts Commission in relation to the New Audit of Best Value;
- (ii) note the implications of this announcement for East Ayrshire Council; and
- (iii) note the preparation of Departmental Best Value Position Statements setting out how departments have discharged their Best Value responsibilities since 1997.

Fiona Lees
Depute Chief Executive/Director of Corporate Resources

MO'R/JC

26 January 2004

List of Background Papers

1. Accounts Commission announcement on the arrangements for the Audit of Best Value – Year One.
2. Departmental Best Value Position Statements.
3. Local Government in Scotland Act, 2003 (effective from April 2003).
4. Statutory Guidance on Duty to Make Arrangements to Secure Best Value (Scottish Executive), September 2003.

Any person wishing to inspect the above background papers or wishing further information should contact John Clayton, Head of Corporate Development and Communication (tel. 01563 576165) or Martin O'Rourke, Principal Officer, Corporate Development and Communication (tel. 01563 576223)

IMPLEMENTATION OFFICER: John Clayton, Head of Corporate Development and Communication (tel. 01563 576165)