

EAST AYRSHIRE COUNCIL

EMERGENCY POWERS COMMITTEE – THURSDAY 28 AUGUST 2003

ACCOUNTS COMMISSION CONSULTATION ON THE NEW AUDIT OF BEST VALUE

Report by the Depute Chief Executive/Director of Corporate Resources

1. PURPOSE OF REPORT

- 1.1 To present a proposed Council response to the Accounts Commission's consultation paper on their New Audit of Best Value.

2. BACKGROUND

- 2.1 The Local Government in Scotland Act 2003 received royal assent earlier this year and the main provisions have applied since 1 April 2003. The Act introduced new statutory duties for councils in relation to Best Value, Community Planning and Public Performance Reporting, along with a number of other matters. The Scottish Executive issued draft guidance on these new statutory duties and the Council's response to the Executive's consultation exercise on the draft guidance was approved by the Policy and Resources Committee on 12 June 2003 and sent to the Executive on 17 June 2003.
- 2.2 The Act establishes audit responsibilities for the Accounts Commission in relation to the provisions it contains. The Commission approved the key design principles and overall approach to be taken by Audit Scotland in developing the proposed arrangements. The Accounts Commission now wishes to consult with councils on the key features of the New Audit of Best Value and the audit process itself.
- 2.3 The Accounts Commission will consider all contributions to the consultation process, with the intention that the final arrangements for the New Best Value Audit will be approved later this year. Thereafter, the first Best Value Audits will take place early next year, effective for 2003/04.
- 2.4 Proposed comments on the Accounts Commission's proposals are shown in boxed italics for Committee's consideration. Subject to Committee approval, the Council's summary response will be submitted to the Accounts Commission by the consultation deadline of 12 September 2003.

3. MAIN ISSUES IDENTIFIED IN THE CONSULTATION PAPER

- 3.1 The main issues identified in the paper can be summarised as follows:
- full Best Value audits will be carried out every 3-4 years, with annual review of action plan implementation,
 - early indications are that between 10 and 12 councils will be selected for a full audit during 2003/04, with the process based on the results of 2 pilot exercises currently ongoing at North Lanarkshire and West Lothian Councils,
 - the audit process will be founded on evidence based self assessment and risk management arrangements,
 - the audit process is planned to be completed within a 20-week period, comprising of:
 - initial audit team discussion with Chief Executive and Council Leader;
 - further audit team discussion with Directors and key Members;

- Council prepares its self assessment Best Value submission;
- Council presents its submission to the audit team, attended by Elected Members and Directors;
- audit team reviews / audits submission using mixture of interviews, observation and reviewing key documents;
- Accounts Commission prepares findings and report;
- the audit process will avoid the application of a single label/starring score to councils, such as 'good' or 'five star',
- where there is evidence built up over a period that a council is not addressing or progressing agreed improvement areas, the Accounts Commission may take further graduated action to hold a council to account (further investigation, hearings, as appropriate),
- the audit team will have high expectations as regards the 'opening position' on the Council's Best Value Approach as developed over the last 6 years,
- the New Audit of Best Value will require even greater demonstration by the Council that it is meeting its Best Value responsibilities,
- expectations will be high for the 2003/04 audit, with further developments expected,
- an important area of interest for the audit team will be how joint partnership working through Community Planning has contributed to Best Value,
- where an existing robust and systematic independent inspection or regulation system exists for a particular service/activity, then no additional audit work will be carried out in that area,
- the Accounts Commission promises minimal bureaucracy in the New Best Value Audit process,
- the Accounts Commission acknowledges the proper place of local solutions for local issues.

4. THE NEW AUDIT OF BEST VALUE – CONSULTATION PAPER

Introduction

- 4.1 The consultation paper outlines the intended approach to be taken in the audit, the main principles on which it has been built and the main elements of the audit process. Where the term "Audit of Best Value" is used in the consultation paper, it is to be taken to cover the arrangements to audit all of the new duties of councils, including Community Planning, Power to Advance Well-Being and Public Performance Reporting.
- 4.2 The Accounts Commission confirm in the consultation paper that it is the intention to take account of the views of stakeholders, including local authorities in developing and implementing the New Audit of Best Value. Feedback from this formal consultation and the final results from the pilot exercises will be taken into consideration in the finalisation of the audit process. It is intended that a small number of councils will be audited in the first year to allow the audit process to mature and develop and for future audits to build on the experience of this early audit work.

The Council welcomes the concise nature of the consultation paper on the new arrangements for Best Value Audit. Further, the Council welcomes the approach to the consultation on the new Best Value Audit Arrangements and, in particular, the commitment to the further development of the audit arrangements in light of the experience of the first year audit work.

General Principles

- 4.3 Whilst recognising that the new audit arrangements come at a time of significant change for local authorities, the consultation paper highlights that councils have had a significant opportunity to put the essential elements of a best value approach in place over the last six years since 1997. It is emphasised, therefore, that audit teams will have high expectations of councils on these matters. It is, however, conceded that the Act also emphasises that councils may still be developing their approaches to securing Best Value, but it will still be expected that councils will have clear development plans in place to achieve all of the Act's requirements within a suitable period of time.

The Council accepts that the expectation that councils' approaches to Best Value as it has been developed since 1997 should be well developed, is entirely reasonable. However, while the Act provides a basis for what are "familiar requirements", the consultation paper possibly understates the significance of the provisions of the Act. In particular, there is a need for councils to review their existing arrangements and develop their approaches to comply fully with the Act and the statutory guidance which is yet to be finalised and issued to councils by the Scottish Executive. Also, the developing partnership working arrangements with Community Planning Partners adds an additional dimension that will require a period of time to settle down.

- 4.4 An important principle highlighted in the consultation paper is that of Elected Member involvement. Council Members are expected to address their responsibilities for performance improvement in a "robust and challenging manner". The Commission will expect local authority Members to be aware of and to be fulfilling their proper role in:-

- 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; and
- contributing to the new arrangements for joint working through Community Planning.

- 4.5 In the consultation paper, the Accounts Commission confirms that it has been working with the various inspectorates and other scrutiny bodies and that where a robust and systematic inspection or regulation system exists for a particular local authority service or activity, no additional audit work will be carried out in that area.

The Council welcomes the commitment to minimising the amount of additional audit work carried out where other inspectorates and scrutiny bodies have already carried out inspection work.

- 4.6 An important principle highlighted in the consultation paper is that there will be more of a focus on performance results and outcomes than on processes.

- 4.7 It is the intention that the new audit will allow for local solutions to be developed on the basis of what works best. The intention is that the audit will discourage a "tick box" or compliance approach and will allow each council to articulate things in its own way. Audit teams will challenge councils to demonstrate that they are improving, however, it is the intention that this will be done with the minimum of bureaucracy, using existing council information systems where they are fit for purpose.

The commitment to reducing bureaucracy and providing a place for local solutions for local issues is welcomed by the Council. Such an approach will broaden the scope of any assessment of a council's progress and will allow a place for local solutions, tailored to local circumstances.

Key Features of the New Audit

- 4.8 It is the intention that councils will be subject to the new audit once every 3 or 4 years, recognising in particular the time needed by councils to implement improvement actions effectively. Progress in the implementation of improvement actions will be monitored as part of the appointed auditor's annual duties.

The Council welcomes the intended programming of audits and, in particular, the emphasis on the implementation of improvement actions. It is considered that 4 years rather than 3 years would be the ideal gap between full audits, allowing 2 full years of follow up work on improvement plans, prior to preparations for the next full audit in the fourth year.

- 4.9 As with the Performance Management and Planning Audit, the New Best Value Audit will allow a significant role for the Council's own evidence based self assessment of performance, management arrangements and areas in need of improvement. Additionally, councils will be required to report on how their risk management arrangements operate.

The importance given to self assessment in satisfying the requirements of the New Best Value Audit is consistent with the successful approach adopted in the previous Performance Management and Planning Audits and is welcomed.

The indication given in the consultation paper that councils will be required to report on their risk management arrangements is important and the robust approach put in place by the Council in relation to its Corporate Governance arrangements will be an important factor in the Council's demonstration of its compliance on this matter.

- 4.10 The consultation paper outlines the intended reporting of the outcome of a council's Best Value Audit. The Accounts Commission will receive a report following each Best Value Audit that will contain contextual information, the main issues arising from the Audit, and the Controller of Audit's conclusions. Thereafter, the Commission will state its findings and make any appropriate recommendations. The Commission hopes to meet with councils in each case to discuss its findings. It is expected that, in most cases, the audit results will focus on broad strengths and weaknesses and the agreed improvement action plan. However, the consultation paper does indicate that there may be cases where a more critical response is required. Further, it is confirmed that 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.
- 4.11 The consultation paper confirms that a clear policy commitment has been given by the Accounts Commission to avoid the application of a single label to councils at the end of the audit process, such as "good" or "five star". Instead, it is the intention that the Commission will endeavour to provide as clear a picture as possible of the overall performance of the council.

The commitment to avoid the application of a single label to councils is welcomed. It would be helpful if the Commission would also confirm that it is not the intention to allocate a score in relation to individual elements of the assessment that would facilitate potentially misleading league tables. Should it be the intention to present a comparative analysis of Scottish Councils through the results of the New Best Value Audit, the basis of the comparison should be clear and agreed, and councils afforded the opportunity to contribute to and comment on the analysis to ensure that the findings are accurate and shared.

5. ANNEXE TO CONSULTATION PAPER

5.1 In the annexe to the consultation paper, a more detailed outline of the audit process, the anticipated format of a council's submission, and the audit reporting arrangements is provided. Whilst the most important aspects of the consultation paper relate to the broader intentions and principles behind the best value process, and which are outlined in the main body of the consultation paper, a limited number of matters worthy of note are contained within the annexe to the report. These matters are summarised as follows:-

The Audit Process

- The consultation paper outlines a clear process with specific timescales for the conduct of the audit. This commences with an initial meeting with the Chief Executive and the Leader of the Council, followed by discussions with Directors and Members to discuss the objectives of the audit and answer any questions. A period of 6 weeks is then allowed for the preparation of the Council's self assessment submission and thereafter, the Council is expected to make a presentation to 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. Thereafter, the Audit Team will identify areas which they wish to review in greater detail. This is expected to take around two weeks or so and following this, a further period of around 10 weeks will be used to focus on priority areas. The audit will be carried out using a mixture of interviews, observation, and reviewing key documents.

Whilst the New Best Value Audit does build on the arrangements put in place through the previous Performance Management and Planning Audit approach, the audit process appears much more involved, requiring an even greater strategic approach to be taken by the Council and its partners in response to the audit requirements and involving Elected Members to a far greater degree than previously. This will require a greater degree of co-ordination and a commitment to a council wide approach to fulfilling the requirements of the audit.

The Council's Submission

- The Council's submission should reflect a corporate view of its performance, agreed by Elected Members and Senior Management and signed by the Chief Executive and the Leader of the Council.
- Whilst each Council should determine the format and style of its own submission, the consultation paper helpfully provides a suggested format.
- The consultation paper highlights that the definition of the main elements of Best Value and Community Planning is set out in the ministerial guidance that has been prepared in support of the Local Government in Scotland Act 2003. These are the criteria that should be used by Councils in their Best Value submissions.
- Whilst at this stage no indication has been given by the Accounts Commission of the councils likely to be selected in year 1 of the new audit arrangements, it is proposed that Directors begin preparatory work now in drafting a service based submission on how their service has discharged and met its Best Value responsibilities over the last 6 years or so. These submissions that will require to be completed by mid November 2003, will follow a corporate template currently in preparation and it is intended these be incorporated into a single report for consideration in due course by the Corporate Governance Committee. This will prove valuable work for the future, irrespective of whether this Council is selected in the forthcoming audit assignments; even where councils are not to be involved in a full audit in year 1, it is expected that their external auditors will be required to submit a position statement, and this proposed submission will facilitate the Council's response to this requirement.

Reporting

- As indicated in the body of the consultation paper, every audit will result in a report being produced by the Controller of Audit. Thereafter, the Accounts Commission will produce findings on each report, and also hopes to meet with each council to discuss the report. In some instances, 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. Additionally, the Commission has the power to direct the Controller of Audit to carry out further investigation, hold a hearing, or state its resulting findings, which may include recommendations.

6. POLICY AND LEGAL IMPLICATIONS

- 6.1 The New Audit of Best Value is being developed and will be implemented by the Accounts Commission in fulfilling its responsibilities for auditing councils in relation to the provisions of the Local Government in Scotland Act 2003. As from 1 April 2003, councils have had a statutory duty to secure Best Value.

7. FINANCIAL IMPLICATIONS

- 7.1 None arising directly from this report.

8. RECOMMENDATIONS

8.1 The Emergency Powers Committee is asked to:

- i) note the receipt of the Accounts Commission's consultation paper on the Audit of Best Value;
- ii) note the process of internal consultation with all Council departments in preparing the Council's response to the Accounts Commission's proposals;
- iii) agree the comments set out in section 4 of this report as the basis of a formal response to the Accounts Commission's consultation exercise;
- iv) agree that Directors commence preparatory work now to draft a service based submission, in a standard format to be agreed, on how their service has discharged and met its Best Value responsibilities over the last 6 years or so;
- v) agree further that these service based submissions should be completed by mid November 2003 and should thereafter be collated corporately and a report presented to a future meeting of the Corporate Governance Committee; and
- v) otherwise note the content of this report.

Fiona Lees

Depute Chief Executive/Director of Corporate Resources

25 August 2003

LIST OF BACKGROUND PAPERS

Audit of Best Value Consultation with Councils – Accounts Commission Consultation Paper –
July 2003

**Any person wishing further information on this report should contact
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