

To: Leadership Board

On: 14th September 2016

Report by: Chief Executive

Heading: Auditing Best Value – a new approach

1. Summary

- 1.1 The Local Government in Scotland Act 2003 and supporting Statutory Ministerial Guidance sets out the statutory duties and characteristics of a Council that is demonstrating Best Value. Audit Scotland have assessed if Local Authorities are meeting this duty through their audit work.
- 1.2 In 2014, Audit Scotland reviewed the Best Value 2 audit process, which covered 17 local authorities, included 26 audits across 5 years. Following on from this review, the Accounts Commission approved a new approach to Best Value audits on the 9th June 2016. This new approach sets out that all Scottish Councils will have a Best Value Assurance Report in the next five years, in order to provide greater assurances to the public that all Local Authorities are meeting their Best Value duties, rather than focus on local authorities where improvement is required.
- 1.3 The Accounts Commission have identified six councils for whom a Best Value Assurance Report will be completed between October 2016 and April 2017, Renfrewshire Council is one of the six.
- 1.4 This paper provides the Leadership Board with an overview of the key principles of the new Best Value approach, further details on the timescales of the audit, the changes to the auditing requirements for this new approach and the impact for Renfrewshire Council.

2. Recommendations

2.1 It is recommended that members note:

- the contents of this report; and
 - that Renfrewshire Council will be subject to a Best Value Assurance Report in 2016-2017.
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3. Background

3.1. Renfrewshire Council's last Best Value Audit took place in 2005 with the outcome being reported to the Accounts Commission in June 2006. Twelve broad areas for improvement for the Council were identified and progress was reported to the former Scrutiny and Petitions Board. Through this Best Value process each Local Authority was audited on a 3 year cycle.

3.2 Following on from the Crerar Report¹ Audit Scotland introduced a new proportionate and risk based approach to Best Value from 2009, often known as BV2. BV2 was based on an annual shared risk assessment process involving all scrutiny bodies that engaged with the Council such as the Scottish Housing Regulator). The aim of the shared risk assessment process has been to identify risks and develop a local Assurance and Improvement Plan. From 2009 to the present day this BV2 approach has covered 17 local authorities and included 26 audits (including follow up audits).

3.3 As the BV2 approach was heavily focused on risk, a number of high performing Councils with a mature and well developed approach to self-assessment were not subject to a Best Value 2 audit, which included Renfrewshire Council. This has meant that a handful of Councils have not had a BV audit in over ten years, therefore to provide greater assurances to the public for all Councils the Accounts Commission requested a review of Best Value.

4. Review of Best Value 2014

4.1 Audit Scotland reviewed the Best Value 2 audits and approach in 2014. Following this review, new principles were agreed for the next approach. These are:

- include an emphasis on judgments;
- conclusions and recommendations for improvement;
- coverage of the wider scope for public audit as set out in the Code of Audit Practice;

¹ Crerar Review "Independent review of Regulation, Audit, Inspection and Complaints Handling of Public Services in Scotland", October 2007

- commentary on a council's self evaluation;
- the effectiveness of its performance management arrangements; and
- commentary on the performance of a council in meeting the needs of its customers and communities.

4.2 This new approach will also be used as a platform to highlight positive audits and good practice. The introduction of the framework coincides with the new five-year audit appointments by the Commission.

5. Best Value new approach - Year 1 Programme

5.1 The Accounts Commission recently issued a letter to all 32 Chief Executives setting out which councils will be subject to a Best Value assurance report in year 1, the six councils are:

1. Clackmannanshire;
2. East Renfrewshire;
3. Orkney;
4. Inverclyde;
5. Renfrewshire; and
6. West Lothian.

5.2 The Accounts Commission has advised that the audit work will commence in October 2016, when the newly appointed audit team is in place, the Commission will consider the first of the six Best Value Assurance reports in the spring 2017, but not before the local government elections.

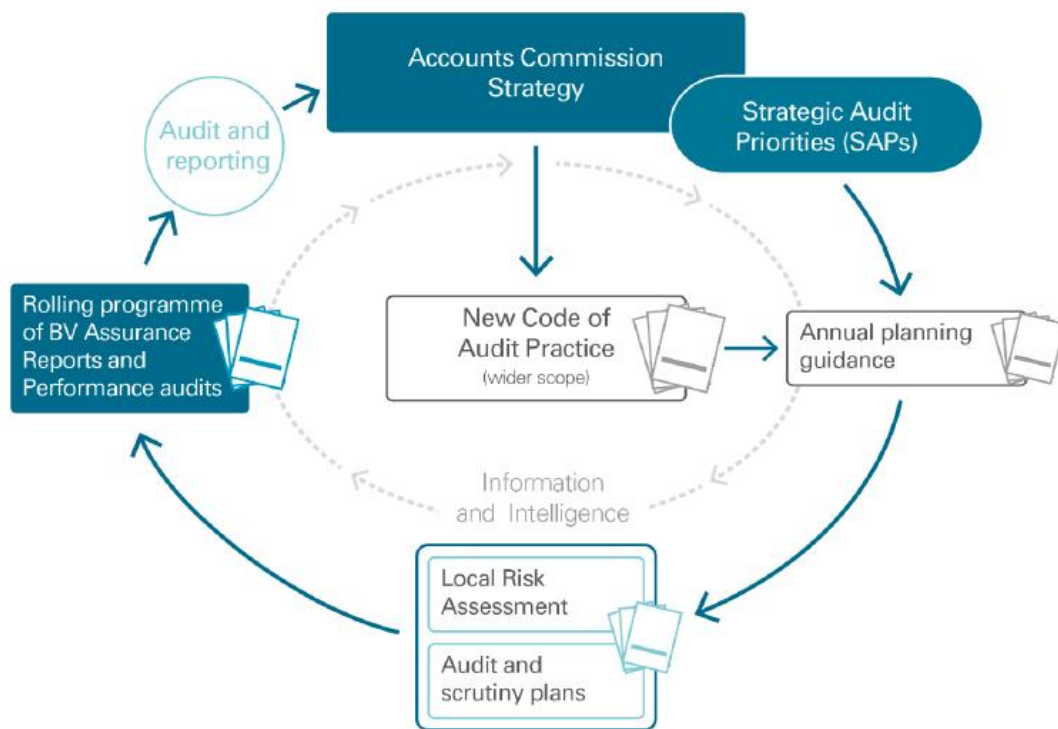
6. Changes to Auditing Practices for the new approach

6.1 As part of the annual audit, Auditors will now need to assess the following four dimensions: financial sustainability, financial management, governance and transparency and value for money. Conclusions will be drawn from the audit as an indication of the extent to which councils are achieving Best Value.

6.2 In previous years, the local audit team completed the annual accounts, statutory performance indicators, benefit performance audits etc whilst the central Best Value team in Edinburgh completed the Best Value audits, in an allocated number of days. This will change from October 2016. Our newly appointed audit team will be leading on the listed audit work above as well as the Best Value approach for Renfrewshire Council from October 2016.

6.3 In addition, the Shared Risk Assessment that occurs in November/December annually will be changed to a continuous assessment process. Auditors will undertake risk assessments and gather intelligence against the Best Value approach over the five year term, this will feed into the annual audit reports and Best Value assurance reports. Exhibit 1 sets out Audit Scotland's planning framework.

Exhibit 1 Audit planning framework



Source: Audit Scotland, 2016

7. Impact for Renfrewshire Council

- 7.1 From October 2016, a new external audit team, from Audit Scotland, will be based in the Council. A Senior Audit Manager and Assistant Director of Audit Services will be leading on the new audit team, as well as the Best Value approach for Renfrewshire Council from October 2016. This will mean a far more continuous approach to engagement with the audit team, as they will be undertaking the Best Value Assurance report for the Council. Preparations and a programme for the new audit team are being worked on to assist with the transition of audit teams.
- 7.2 In June 2016, an Overview of Local Government Scotland 2015 was reported to Leadership Board, it noted the impact of reductions in public sector budgets coupled with increasing demand pressures on the provision of services. Despite these challenging times, as a Council we are focused on our priorities for Renfrewshire residents, such as Tackling Poverty and Regeneration, delivering our ambitious Better Council change management programme and our continued commitment to continuous improvement.
- 7.3 In conclusion, as part of evidence for the Best Value Assurance Report, Audit Scotland will be using available information and intelligence (i.e. service improvement plan reports) and may in addition request to meet with a selection of Elected Members.

Implications of the Report

1. **Financial** - *none*
 2. **HR & Organisational Development** - *none*
 3. **Community Planning** – *none*
 4. **Legal** - *none*.
 5. **Property/Assets** - *none*
 6. **Information Technology** - *none*
 7. **Equality & Human Rights** - *none*
 - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
 8. **Health & Safety** - *none*
 9. **Procurement** – *none*
 10. **Risk** - Shared Risk Assessment is a proportionate and risk-based approach to assessing Scottish Councils.
 11. **Privacy Impact** - *none*
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List of Background Papers

- (a) Background Paper 1 – Auditing Best Value – A Summary of overall framework for our new approach, Audit Scotland.

The foregoing background papers will be retained within Chief Executive's Service for inspection by the public for the prescribed period of four years from the date of the meeting. The contact officer within the service is *Nicola Irvine-Brown, Assistant Strategic Planning & Policy Development Manager*
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