

To: Council

On: 23 February 2017

Report by: Chief Executive

Heading: Auditing Best Value

1. Summary

- 1.1 Renfrewshire Council's last Best Value Audit took place in 2005 with a very positive report on performance being submitted to the Accounts Commission in June 2006. Renfrewshire Council has not been subject to a formal best value audit since 2005, as it has been regularly assessed as having strong performance and a well embedded approach to self-evaluation and continuous improvement
- 1.2 In the intervening period there have been a number of changes to the methodology and frameworks used as part of the best value audit process. A new approach to best value is now being implemented by the Accounts Commission, with an allocated audit team assessing the Council against the following four dimensions:- financial sustainability, financial management, governance and transparency and value for money. The changes to the methodology and the implications for Renfrewshire Council were reported to the Leadership Board on 14 September 2016.
- 1.3 The new best value methodology is a continuous process of engagement and audit activity which aims to provide greater reassurance to the public that Councils are delivering best value, rather than focusing on those Councils alone where specific issues of performance have been identified.
- 1.4 A key element of the new approach is that the local audit team appointed to the Council as external auditors, is the same team that undertakes the best value audit activity. Previously the best value audit work was undertaken by a separate team within Audit Scotland. The Council's newly appointed local

audit team from Audit Scotland commenced their work programme in November 2016.

- 1.5 The new best value methodology operates on the same 5 year cycle as the financial audit appointments, with a Best Value Assurance Report published for each Council at some point within the 5 year period. Renfrewshire Council is one of the first six councils for whom a Best Value Assurance Report will be completed in 2017.
- 1.6 Introductory meetings between senior officers and elected members have now commenced, and a programme of fieldwork will be undertaken by Audit Scotland for completion by end of March 2017. It is anticipated that the Best Value Assurance Report for Renfrewshire Council will be reported to the Accounts Commission in June 2017.
- 1.7 Audit Scotland confirmed on 30 January 2017 that the key areas selected for review during the first year of the best value audit programme in Renfrewshire Council relate to the:
- Council's vision
 - The process and results of self-evaluation
 - Financial management
 - Financial and service planning
 - Plans for achieving transformation, including the following
 - City Deals
 - Shared service development
 - Digitalisation of services
 - Difficult decisions and non-protected services
 - Community engagement
 - ALEO governance arrangements
 - Workforce planning, including capacity
 - Overall assessment of outcomes/ performance and the reporting of these – potentially with detailed work in selected areas
- 1.8 It is anticipated that as part of the fieldwork, the team from Audit Scotland will wish to meet with elected members to discuss the audit areas identified. Further detail on these sessions will be confirmed as soon as this information becomes available.

2. Recommendations

- 2.1 It is recommended that elected members note the contents of this report, including the potential for members to be invited to meet with the Audit Scotland team as part of the best value audit fieldwork programme.

3. Background

- 3.1 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 undertake regular audit activity to assess the extent to which local authorities are achieving best value, and report their findings to the Accounts Commission.
- 3.2 Renfrewshire Council's last Best Value Audit took place in 2005, with the formal report being published in June 2006. Renfrewshire Council is only one of a handful of local authorities that has not been subject to a formal best value audit since 2005, as it has been regularly assessed as having strong performance and a well embedded approach to self-evaluation and continuous improvement.
- 3.3 The audit and inspection frameworks employed by Audit Scotland to support best value audit activity have evolved over time, with a significant update being introduced from 2009 to support the implementation of a more proportionate and risk based approach to scrutiny following on from the Crerar report. This approach was known as "BV 2" which 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.
- 3.4 At the request of the Accounts Commission, Audit Scotland has now undertaken a review of its best value methodology. The new approach to auditing best value is based on a continuous cycle of engagement and audit over a 5 year programme, which will seek to provide greater assurance to citizens on the extent to which **all** local authorities are achieving best value, as well as providing greater opportunities to celebrate best practice. Each Council will be the subject of a Best Value Assurance report during the 5 year cycle.
- 3.5 Audit Scotland has identified 6 councils that it will work with during 2017 to implement the new approach to auditing best value, several of which including Renfrewshire have not been the subject of a best value audit for many years. The six councils are:

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

3.6 This means that Renfrewshire Council, will be one of the first Councils to receive a Best Value Assurance Report as part of the new methodology. It is anticipated that the report will be published in June 2017.

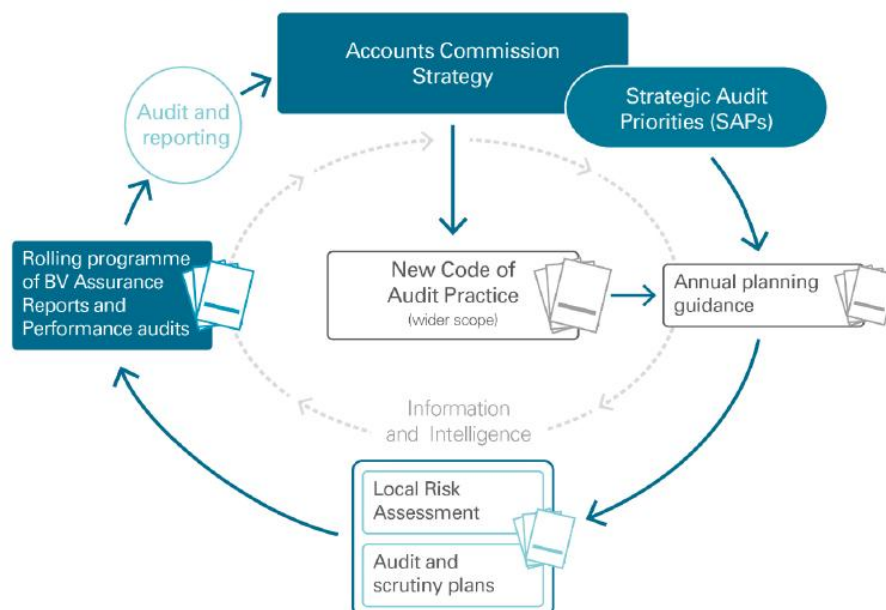
4. Key elements of new auditing approach

4.1 The implementation of the new approach coincides with the 5 year local audit appointments to Councils, with Audit Scotland appointed to fulfil this role for Renfrewshire Council.

4.2 A fundamental element of the new process, is that the local audit team has a dual role, implementing the local audit plan and leading on local best value audit activity. Previously a separate team from Audit Scotland would undertake the best value audit activity within a Council.

4.3 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.

Exhibit 1 Audit planning framework



Source: Audit Scotland, 2016

- 4.4 In addition, the Shared Risk Assessment that occurs annually in November/December 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, and this will feed into the annual audit reports and Best Value assurance reports. Exhibit 1 sets out Audit Scotland's planning framework.

5. Update on local Best Value Audit Activity

- 5.1 The team from Audit Scotland has now commenced their audit role at Renfrewshire Council. As highlighted above, the team have a dual audit role, as appointed external auditors and leading on all best value audit activity.
- 5.2 As this is a 5 year programme of continuous engagement and audit activity, it is anticipated that the local audit team will assess the Council against an agreed set of criteria each year, rather than the full range of BV criteria every year.
- 5.3 Introductory meetings have been held with senior officers and the Leader of the Council, and the team will now commence a programme of fieldwork as part of their programme for the first year of the 5 year cycle.
- 5.4 On 30 January 2017, Audit Scotland confirmed the audit areas which will be assessed as part of this year's Best Value review programme. Audit Scotland are clear that the scope of the work reflects their commitment to taking a proportionate and risk based approach to scrutiny. The areas to be covered within the audit are:
- The Council's vision
 - The process and results of self-evaluation
 - Financial management
 - Financial and service planning
 - Plans for achieving transformation, including the following
 - City Deals
 - Shared service development
 - Digitalisation of services
 - Difficult decisions and non-protected services
 - Community engagement
 - ALEO governance arrangements
 - Workforce planning, including capacity
 - Overall assessment of outcomes/ performance and the reporting of these – potentially with detailed work in selected areas

- 5.5 The local audit team have indicated that they will now undertake fieldwork linked to these areas of audit, with a view to completing this process by the end of March 2017.
- 5.6 It is anticipated that the local audit team will request to meet with elected members as part of their fieldwork programme, and information relating to these sessions will be shared as soon as this is made available to officers.
- 5.7 The Best Value Assurance Report for Renfrewshire Council will subsequently be reported to the Accounts Commission in June 2017.

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 best value within local authorities.
11. **Privacy Impact** - *none*

List of Background Papers

- (a) n/a

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