

External Audit Progress Update – 2015/16 Audit

Prepared for Aberdeen City Council Audit, Risk and Scrutiny Committee
February 2016

Purpose of this report

1. The intention is to provide the Audit, Risk and Scrutiny Committee (ARSC) with an update of external audit progress at each meeting. Included on the agenda for the meeting on 9 March 2016 is our Annual Audit Plan for the 2015/16 Audit. Subsequent updates will monitor progress against that plan. The opportunity has therefore been taken to use this report to explain how we will approach reporting the council's progress in respect of the findings from Aberdeen's Best Value Audit report published in July 2015. In addition, the opportunity has been taken to outline for the committee's information, current development work being undertaken in response to a request from the Accounts Commission to review our whole approach to the Best Value audit of councils.

Monitoring and reporting progress in respect of Aberdeen's 2015 best value audit

2. The Accounts Commission published its report on the Audit of Best Value of Aberdeen City Council in July 2015. The Commission welcomed the progress by the council in a number of areas since the last best value report on the council in 2009. While the commission was encouraged by the council's self-awareness in recognising how it needs to improve, it also highlighted that a great deal more improvement needed to be delivered and consolidated. In particular the Accounts Commission highlighted the following areas:
 - the council's vision needs to be translated into clear objectives and targets with links to service plans
 - in respect of elected members, better use should be made of the development framework, and consistent information on service performance should be provided to enable them to discharge their scrutiny role effectively
 - arrangements for employee engagement and communication should be reviewed and strengthened.

3. The 'areas for improvement' section of the report provided further detail on the progress required. For example,
 - Leadership and working relationships – build on the use of cross-party groups to help maintain political consensus and commitment to the council's long-term priorities.
 - Performance management and scrutiny - ensure clear links between the performance information submitted to members for scrutiny and the council's strategic plans
 - Financial management and improvement – ensure the necessary organisational capacity for transformation is in place in readiness for anticipated budget reductions.
4. In addition to our planned 2015/16 local audit activity, we have scheduled a number of planned activities which will enable us to keep in touch with progress and review documentation when it becomes available. For example,
 - regular meetings are scheduled with key officers leading on the main areas of improvement
 - observing meetings of the governance hub
 - monitoring progress of the council's planned governance review.
5. Where appropriate, future external audit updates will be used to provide short updates on progress. Our main channel for reporting on improvement will however be through our Annual Audit Report which will be considered by the committee alongside the audited accounts in September 2016.

Best value auditing – new approach

6. During 2014, the Accounts Commission carried out a review of its work in auditing Best Value in Scotland's councils. It recognised that Best Value is still a statutory duty for councils and an important audit responsibility for the Commission. It believes that the principles and essential elements of Best Value are fundamental to good public service delivery and are as important today as when the Scottish Parliament agreed the legislation in 2003. The Commission concluded that a new approach to auditing Best Value is needed and in December 2014, it agreed the following principles for the new approach. These are:
 - The essential elements of Best Value remain as relevant and critically important today as when it was first established, although there is some need for the statutory guidance on Best Value to be reviewed

- There is a real need for the pace, depth and continuity of improvement to increase across local government and driving improvement will be at the core of the audit process for Best Value
 - There can be no compromise on the importance of good governance in councils, including the need for effective scrutiny arrangements that contain the checks and balances which lie at the heart of our system of government
 - A proportionate and risk-based audit approach should be taken, but the Commission requires more frequent assurance on Best Value across all 32 councils
 - Audit work should have a strong focus on the quality of service experienced by the public and the outcomes achieved by councils for their communities.
7. From October 2016, the start of the next five year audit appointment, a more integrated best value audit approach involving local auditors and best value auditors will be implemented. This will :
- Have an emphasis on driving continuous improvement in councils and be less about identifying 'shortcomings'
 - Remain proportionate and risk based
 - Be a joint responsibility between Best Value auditors and those in local audit teams appointed to each council
 - Involve joint planning at an individual council level across the five year audit appointment
 - Involve more regular engagement with the council during the year, building more understanding of the specific context and performance of the individual council
 - Include a Best Value report to the Commission for each council at least once in a five year period.
8. This does not mean that every five years at each council there will be a full best value audit. During the five year audit appointment period, a public report on Best Value will be produced. This will involve an element of specific audit work but will largely rely on an aggregation of Best Value focused audit work undertaken each year as part of the local annual audit. It will also use intelligence from other local and national audit work, the work of other scrutiny partners and consider information from self-evaluations. Collectively, the information will inform an assurance report.

9. As part of the development work, colleagues who are leading the project are consulting with a wide range of stakeholders including the Scottish Government, COSLA and SOLACE. We will keep you informed of developments in subsequent progress reports.

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