

The background of the slide features a large, light blue watermark of the Coat of Arms of the City of Edinburgh. The crest includes a crown with four thistles, a shield divided into four quarters (top-left: a castle tower, top-right: a stag's head, bottom-left: a sailing ship, bottom-right: an eagle), and a ribbon at the bottom with the motto 'AENE FOR A'.

## **Agenda Item 10**

# **Scrutiny and Audit of the Council and its Services**

**Falkirk Council**

**Title: Scrutiny and Audit of the Council and its Services**

**Meeting: Scrutiny Committee**

**Date: 12 September 2019**

**Submitted By: Director of Corporate and Housing Services**

**1. Purpose of Report**

- 1.1 The purpose of this report is to advise Members of the revised arrangements for risk assessment by external auditors and inspectors and also advise of the Council's next best value audit.

**2. Recommendations**

**It is recommended that the Committee notes:-**

- (1) The changing role of the local area network**
- (2) That the Council will be subject to a Best Value Audit in 2020**
- (3) Members are briefed on the audit process once timescales etc. are known.**

**3. Background**

- 3.1 Following a review of audit and inspection carried out some years ago, the Accounts commission in conjunction with other statutory inspectors agreed to revise the way they identified and managed risk, the process of scheduling audit and inspections and then engage with Councils.
- 3.2 The new process resulted in the establishment of a local area network – a meeting of auditors and inspectors who had a relationship with the Council, The role of the network was to consider challenges, performance and risk and ensure a proportionate audit and inspection schedule for the coming years.
- 3.3 This work in the past resulted in a meeting with officers prior to an audit and inspection plan being published. This annual audit plan is published annually with the latest plan for Falkirk being. [https://www.audit-scotland.gov.uk/uploads/docs/report/2019/aap\\_1819\\_falkirk.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2019/aap_1819_falkirk.pdf)

**4. New Arrangements**

- 4.1 Since the arrangements noted above have been in place for a number of years, the Accounts Commission in conjunction with key partners sought to review the effectiveness of these. The outputs of that work is attached as appendix one.

- 4.2 This report notes that while there was considered still a value in the Local Area network meeting and then engaging with Councils on their key challenges, performance and risk this was not happening as a matter of course – with an inconsistent approach across Scotland. In some areas the LAN is very active and engaged with Councils in others there is less communication.
- 4.3 The new proposals set out a clear national structure for the work of LANs including a strategic scrutiny group, an operational group and then local networks. The function of each of these groups is set out within the report as is the role of the lead auditor in bringing together these networks.
- 4.4 It is hoped that having a national structure overseeing the work of auditors, inspectors and the LAN will ensure greater consistence across Scotland, not only supporting local Councils but importantly informing the national scrutiny plan.

## **5. Best Value Audit**

- 5.1 Every Council is now subject to a best value audit every four / five years. This is a change from the previous regime, where Councils were only subject to an audit if there were significant risks identified. This led to some Councils being subject to a number of audits and others not having a best value audit for many years.
- 5.2 In the Audit Plan published in March 2019, Audit Scotland has indicated that Falkirk Council will be subject to an audit in 2020. It is usual practice to advise of the focus of the audit in advance, agree a process and timetable with the Council in advance of the audit taking place, it is anticipated that this audit will touch on the following issues:
- Does the council have clear strategic direction?
  - How well is the council performing?
  - Is the council using its resources effectively?
  - Is the council working well with its partners?
  - Is the council demonstrating continuous improvement?
- 5.3 These issues have been raised as part of the challenges and performance report, but also in other key audit reports. While the Council should not undertake significant preparation work in advance of an audit, it is prudent to review the outputs of other recent audits in order to determine areas of good practice.
- 5.4 Members will be updated on the progress of this review work and the timescale etc. for the audit once known.

## **6. Implications**

### **Financial**

- 6.1 There are no financial implications.

### **Resources**

6.2 There are no resource implications.

### **Legal**

6.3 The requirement to ensure we are delivering services and responding to issues with best value is critical to the operation of the Council. The audit and oversight arrangements noted in this report are useful in supporting the Council achieve best value.

### **Risk**

6.4 While the contents of the report do not present any risk in themselves, the output of the LAN and the audit do present significant risk to the Council if we are not determined to deliver best value.

### **Equalities**

6.5 Part of our best value obligations is ensuring we are delivering services in a way that supports our equalities requirements.

### **Sustainability/Environmental Impact**

6.6 As above.

## **7. Conclusions**

7.1 While this report is essentially for information, it does advise Members of a significant audit that the Council will be subject to next year.

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26 August 2019.

## **Appendices**

[https://www.audit-scotland.gov.uk/uploads/docs/report/2019/aap\\_1819\\_falkirk.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2019/aap_1819_falkirk.pdf)

## **List of Background Papers:**

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

- Local Government in Scotland – Challenges and Performance 2018 Report

# Scrutiny Coordination and Shared Risk Assessment

## A revised approach

July 2019

ACCOUNTS COMMISSION 

 AUDIT SCOTLAND

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# Purpose

1. This paper sets out revised approach to scrutiny coordination and the Shared Risk Assessment (SRA) process for local authorities. In agreeing this revised approach, scrutiny bodies have sought to:
  - respond to feedback from stakeholders on how the SRA process can be improved
  - strengthen their approach to sharing intelligence in considering risks and their scrutiny responses
  - be clearer about the factors that inform scrutiny activity.
2. The SRA process is specifically designed to coordinate corporate and strategic scrutiny of councils and their functions. Strategic scrutiny does not include scrutiny activity carried out at service unit or institution level, such as inspections of individual schools or care homes, or the annual financial audit of public bodies.
3. The revisions to scrutiny coordination and SRA underpin the Accounts Commission's role of facilitating and coordinating scrutiny relating to the corporate and strategic role of local government. **Appendix 1** sets out the changes and how we have responded to the feedback we received.

## Background

4. Following publication of the Crerar review in September 2007, the Scottish Government asked the Accounts Commission to take on a gatekeeping role in respect of the scrutiny of local government to support the delivery of better coordinated more proportionate and risk-based local government scrutiny.
5. The Strategic Scrutiny Group (SSG) was established in February 2008, bringing together bodies scrutinising local authorities. The work of the SSG is underpinned the obligations of the Public Service Reform (Scotland) Act 2010 and by the five principles of scrutiny:
  - public focus
  - independence
  - proportionality
  - transparency
  - accountability
6. The SSG established the SRA process in as the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks in each of Scotland's 32 councils. The process has served its purpose well over the years. It has been successful in providing a focus for scrutiny bodies to work closer together and for more coordinated engagement between councils and scrutiny bodies. Whilst the SRA process has generally worked well and is valued by councils

and scrutiny bodies, it has become clear that there are some aspects of the process that are not working well and need to be addressed.

7. The SRA process has been subject to regular review over the last decade. Our latest review in 2018 recognised the importance of the changing landscape for local service delivery as well as scope to improve the SRA process. As part of the review we asked scrutiny bodies to consider the strengths and weaknesses of the SRA and how the system could be improved. In October 2018 we consulted with councils and LANs about the previous approach and options for change. We received 17 responses from individual councils. This showed that there were mixed views about how effective the SRA process and scrutiny coordination more widely have been. We have taken all the feedback on board in developing and agreeing the new approach to SRA.
8. The feedback received highlighted overwhelming support for scrutiny bodies continuing to discuss individual councils and their performance. However, it also raised areas for improvement, including a need for more regular discussion and sharing of local intelligence and less emphasis on producing annual local scrutiny plans (LSPs). It also highlighted the importance of improving scrutiny planning and coordination at a national level.
9. Based on the feedback received, and subsequent work by the SSG, this paper sets out a revised approach for the SRA.

# Revised approach

10. The aim of the new approach is to focus on fulfilling the requirement to coordinate scrutiny at a national level.
11. Under this revised approach there will be a greater focus on the National Scrutiny Plan (NSP) and on national coordination. The new model is:
  - Strategic Scrutiny Group - responsible for setting the overall approach and monitoring progress with the NSP and sharing intelligence.
  - Operational Sub group - chaired by the Care Inspectorate, with membership from the larger scrutiny bodies. Critically, this group is responsible for producing, updating and reporting on the National Scrutiny Plan. The group is responsible for the operational development of the new approach to sharing intelligence, including identifying, and responding to any problems/issues in how scrutiny bodies work together or escalating these to SSG if they cannot resolve them.
  - Local networks - which include the appointed auditor for the council and representatives from each of the larger scrutiny bodies, namely the Care Inspectorate, Education Scotland and the Scottish Housing Regulator.
12. There are several specific factors which are worth highlighting:
  - The role of the operational subgroup - This NSP is led by the Operational Subgroup to the SSG which is chaired by Care Inspectorate and supported by Audit Scotland. The group is critical to the success for the SRA process, therefore we will invest extra resources to support this work.
  - Input from scrutiny bodies - We know that there is variation in the way that LANs have functioned. This new approach is designed to ensure that both LANs and councils are better informed of planned scrutiny activity and any local risks identified from scrutiny work. We aim to achieve this through better communication within LANs and all LAN members meeting with their council to discuss any planned scrutiny from their bodies.
  - The role of the appointed auditor - This places reliance on the appointed auditor to lead the LAN. LAN leads will engage routinely with the councils to discuss the results of LAN discussions and with other scrutiny bodies to discuss planned scrutiny activity and local risks.
  - The National Scrutiny plan (NSP) - The NSP will be based on routine sharing of intelligence and scrutiny plans. The NSP will be a live document to reflect any changes in scrutiny plans, and will be much clearer about the rationale for scrutiny work.



# Appendix 1

## Responses from councils

13. We received 17 responses from individual councils, with mixed views on how effective the SRA process and scrutiny coordination more widely have been. All councils that responded were broadly supportive of proposals for a revised approach, with some variation in opinion around the proposal to remove the requirement for an LSP. We have shared more detailed feedback with LANs for consideration, but the feedback highlighted the following main issues:
- Councils broadly indicated that their engagement with their LAN lead has been a positive experience but were keen for more routine engagement with the full LAN
  - Councils were keen to speak more to LANs and at an earlier stage about coordination of scrutiny to help minimise the concentration of scrutiny activities in one service area or council.
  - In response to this feedback all LAN leads will now be the appointed auditor as they tend to have the most ongoing and cyclical engagement with the council. We are also improving the national scrutiny planning process to help support discussions about scrutiny coordination.

## Transparency

14. Feedback suggested that there is scope to make scrutiny coordination more transparent. In response to this we are taking a different approach to national scrutiny planning and will be more explicit about the origins and purpose of the work.

## Local Scrutiny Plans (LSPs)

15. There was very much a mixed response about the value of LSPs. Councils are supportive of using the national scrutiny plan to provide clearer reasons for carrying out scrutiny in making the SRA process more transparent. Having a national plan that provides greater clarity and a more comprehensive picture of the scrutiny than previously covered in LSPs would be a welcome development.
16. In response to this feedback, we will no longer require LANs to produce LSPs. But LANs will discuss with councils the assessment of local risks based on the work of the LAN and we will include more details about the rationale for scrutiny activity in the NSP. The operational sub group will update the NSP plan every six months and will issue this to appointed auditors to discuss with their council.

## Scrutiny coordination

17. Councils still cite examples of uncoordinated and unplanned scrutiny activities. They see a significant opportunity for scrutiny bodies to better share scrutiny findings and intelligence to make scrutiny activity more efficient. This is a pivotal role for the LAN.

18. The new operational sub group to the SSG will have a key role in monitoring and improving how scrutiny is coordinated within and between scrutiny bodies. This will be reported through NSP updates and will be monitored by the SSG. The group will also have a remit to explore opportunities for better collaboration in carrying out scrutiny programmes. The operational scrutiny group should highlight any barriers to maximising collaboration to the SSG.

### **LANs**

19. The LAN process cannot work without the major scrutiny bodies involvement and we recognise the need for much more systematic sharing of information and intelligence. This helps scrutiny bodies to produce a better-quality output and have a better shared view of risk. Having the appointed auditor as the LAN lead will help improve routine communication with the LAN. Through our review of the SRA, all scrutiny bodies have committed to improving how they share intelligence about risks and local scrutiny work among their colleagues who are lead contacts for the council.

## **How we will respond to the feedback and take the new approach forward**

20. It is encouraging that councils are generally supportive of the principles underpinning scrutiny coordination. However, there is clearly a need for scrutiny bodies to improve how they work together to ensure that scrutiny activity is delivered as efficiently and consistently as possible. Therefore, we are proposing a more focused approach to sharing intelligence. In response to the issues set out in this paper, the main changes in this new approach are:
- Improvements in the National Scrutiny Plan, with a clearer articulation of the rationale and timing of scrutiny of local government.
  - Recognising that the most routine and cyclical engagement with the council is by the appointed auditor, but that this needs good and routine communication from other scrutiny bodies about risks and scrutiny responses, ensuring that all scrutiny bodies have a clear picture about ongoing issues and planned work in the council.
  - Improving the role of the operational sub-group - recognising that it is essential to this new model working. It will ensure that the NSP remains up to date and will provide a report on progress to the SSG during 2019. A revised NSP will be published in 2019 and will be refreshed six monthly.