



Whither audit, inspection and scrutiny?

Notes of seminar held at the Nuffield Foundation on 12 April 2010

1. This event was arranged to consider – in the context of recent political debate about the work of audit, inspection and scrutiny bodies – what is known about their impact, their methods and their role and purpose. The background to the event was recent research, funded by the Nuffield Foundation and undertaken by researchers at the Universities of Edinburgh and Cardiff, which examined in detail how evidence is collected, analysed and interpreted in making judgments about the performance of public services. A report on this research has been published by the Foundation: *Evidence for accountability: Using evidence in the audit, inspection and scrutiny of UK government*. The report will be widely distributed and posted on the Foundation website (www.nuffieldfoundation.org).

2. The seminar was attended by a mix of researchers and practitioners. It was chaired by Clive Grace, currently Chair of the Local Better Regulation Office and Honorary Research Fellow at Cardiff Business School. There were three main sessions, focused on Impacts, Methods and Role and Purpose. In each session three speakers (a researcher from the project, an academic and a practitioner) addressed the topic before a general discussion.

Introductory remarks

3. Sharon Witherspoon, Deputy Director of the Nuffield Foundation, welcomed participants. She emphasised the Foundation's long standing interest in trust and accountability in government and hence their pleasure in funding the recent research on the Use of evidence in the audit, inspection and scrutiny of UK government. She welcomed the report's intention not to just provide an account of how such work is done, through a series of case studies, but to draw from it advice on good practice for auditors, inspectors and scrutineers.

4. Clive Grace, as Chair of the seminar, noted the political salience of the topic. He observed that the dominant orthodoxy that audit, inspection and scrutiny were there 'to hold to account and to help to improve' was now undone. There was both resistance to 'overregulation' and major concern with 'failures' in public services. All in all, a 'toxic cocktail of regulation, media coverage and judicial review' which was undermining political and public trust in audit, inspection and scrutiny. The seminar was therefore timed to perfection.

Session 1: Impacts

5. Sandra Nutley (Use of Evidence research team) argued that, based on the research project and other research and practical experience, she believed that audit, inspection and scrutiny

had had important impacts on public policy and services. They were though hard to prove and in some cases were dysfunctional as when organisations work to be ‘fit for audit’ rather than ‘fit for purpose.’ Overall she judged them better at identifying poor performance than in enhancing performance. There is a need for better methodologies to assess attributable impact, since current methods – like performance scores, stakeholder surveys or public satisfaction surveys – are of limited value, especially in terms of assessing longer term impact. In developing impact assessment, we need to consider the explicit or implicit theory of change on which audit, inspection and scrutiny’s impact rests.

6. Barbara Hurst (Audit Scotland) acknowledged that measurement of impact is difficult. Audit Scotland (which covers, national and local government and many public authorities) has adopted a four pronged impact framework focused on accountability, improved planning and management, economy and efficiency, and service quality, which is applied at 3 months and 12 months after audit and the latter are published on their website. If impact has been limited then a follow up audit will be undertaken sooner than otherwise. She offered three propositions:

- a.** Audit and inspection can only have an impact if it is independent and has the confidence of the public, politicians and auditees.
- b.** They can make a positive difference by highlighting areas for improvement.
- c.** But there is a risk that they drive the agenda in the organisations under examination, for example, through distorting priorities, encouraging gaming, getting tangled in policy development (as happened with Audit Scotland’s report on roads that was used by opponents of congestion charging in Edinburgh).

Above all, the work must keep its feet on the ground and deploy appropriate skills and methods. The skills required for the improvement agenda are different to traditional audit skills. Audit Scotland is aware of this and because of its low turnover is having to actively address the issue of bringing in new skills and thinking through more flexible project staffing.

7. Professor Tony Bovaird (University of Birmingham) believed that the valuable impact of audit, inspection and scrutiny is in raising questions about the delivery of public services through challenge and comparison. In this context it is important to consider what the ‘data’ means, how the language chosen can be important (for example, ‘failure’ is a term often used, but this is not a technical but a political judgment), that public confidence in public authorities and professionals can be too casually and dangerously undermined and the self-belief of managers and politicians that they know what is going on too readily encouraged. In his view there is often in audit, inspection and scrutiny an unsophisticated view of how they can influence change. Finally, he observed that it seemed extraordinary how little examination there had been of outcome-based commissioning in audit, inspection and scrutiny frameworks.

8. In the subsequent discussion a number of points were made:

- Self-assessment by public service organisations can be a significant route to impact, but self-assessment needs critical friends.
- The focus should be more on improving management practice, leaving accountability judgments to politicians and the media. But in Scotland the Crerar Review concluded that accountability should be the dominant concern.

- For organisations under constant examination, the dysfunctional result may be that – for both auditors and auditees – reputational risk rather than operational risk becomes the dominant concern.
- Audit, inspection and scrutiny are political from the start and political intervention, in the process or the consequences, is to be expected.
- There may be differences between what can be expected of audit, inspection and scrutiny. For example, local authority scrutiny is often criticised for lacking teeth in comparison to audit and inspection but that may make it less open to gaming, though also harder to show impact.
- In Wales the closer integration of responsibilities for audit, inspection and scrutiny may make it fruitful to deploy them in ways that address the whole spectrum from policy to delivery.
- In the UK it is the lack of local finance and political accountability for services that provides the rationale for what is mostly a central government audit and inspection activity; this is unknown, for example, in the USA where there are strong local tax bases and often elected local officials, arguably a more democratic form of accountability.

Session 2: Methods

9. Ruth Levitt (Use of Evidence research team) considered how current uses of evidence in audit, inspection and scrutiny might influence their future direction. Firstly, evidence is needed to inform statutorily based and published judgments of public service performance. To that end evidence must be seen to be relevant, robust, proportionate and legitimate in the eyes of stakeholders. The choice of sources and methods may be habitual to the kind of audit, inspection or scrutiny work, but also needs to be appropriate to specific tasks.

10. Elliot Stern (University of Lancaster) positioned audit, inspection and scrutiny in a broad field of 'evaluative activity' that also included inter alia policy management and analysis, ex ante and ex post programme evaluations, various forms of performance review and consultancy. All involve criteria for assessing performance, empirical data collection and the specification of remedial action. In these activities he saw a number of current trends that might also be found in the methods adopted for audit, inspection and scrutiny: a failure to make explicit the models of change or improvement that are in use; a 'drift upstream' away from the problematic measurement of outcomes to focus on outputs and even processes; an obscurity about how to make the leap from data to conclusions. He also argued the importance of recognising paradigm shifts over time: for example, in education from a concern with professionalism to managerialism or in international development from the dominance of market solutions to governance. Finally he noted the trade-offs between the use of 'strong' methods (strong in predictive power, attribution, generalisability) and public acceptability (sophisticated methods are not always accessible) or addressing complex cross-sectoral issues and contextualisation (both of which make simple input/output explanations difficult).

11. Alex Scharaschkin (National Audit Office) sketched NAO's general approach to VFM studies and the specific methods used in the study of *Supporting people with autism through adulthood* which was one of the case studies in the Use of Evidence research. Following a scoping exercise to determine the issues to be examined a diverse range of methods were adopted to gather and analyse evidence. Central to the project methodology was the creation of an 'economic model' in which different configurations of services for people with autism could be explored in terms of their costs and their reach. In this there were familiar problems with

attribution, with weighing contrary evidence and with evidencing recommendations, particularly as the latter involves a shift from evidencing what is the case to what ought to be. On all of which judgments had to be made in light of the study purpose.

12. In the subsequent discussion a number of points were made:

- If audit, inspection and scrutiny are generically similar as evaluative activities, their organisational and historical separation inhibits learning between them about effective ways of working and indeed learning from other evaluation practice.
- There are marked differences in the degree to which the public's views and experience feature, even though this work is ostensibly done in the public interest; lay inspectors, consultations, and focus groups may be used to gather evidence but the public is customarily excluded from subsequent analysis, interpretation and judgment.
- Regarding the NAO study of autism, there were a variety of other ways in which such a review could have been conducted (for example, more discursively as in the scrutiny mode) and more perspectives than VFM that could have been taken and more potential for debate than in the Public Accounts Committee.
- Methods rarely reveal a single 'truth' about organisational performance, more often multiple 'truths' – in which case the processes of comparison and/or adjudication and/or reconciliation are not only methodological challenges but also involve value-based judgments.
- Does or would greater transparency about methods just serve to inhibit flexibility, innovation and creativity in audit, inspection and scrutiny?

Session 3: Role and purpose

13. Steve Martin (Use of Evidence research team) stressed the first Principle in the research report viz 'Be clear about what is expected of each audit, inspection and scrutiny project.' The purpose may be explicit and/or implicit, but is likely to be rooted in one or more of three rationales: providing public reassurance, promoting good practice or improvement, improving policy processes. Common underpinning assumptions are that external challenge has value, that there have been programme failures or democratic deficits, and that a process of gathering information, setting standards and modifying behaviour will be beneficial. In considering how audit, inspection and scrutiny may develop key questions are:

- a. Can the different rationales be successfully addressed by one organisation?
- b. What should be the balance of focus on processes and outcomes?
- c. What balance between internal and external challenge?
- d. Are audit, inspection and scrutiny substitutable?
- e. Could their application be more selective?
- f. Is more public involvement essential to a public interest justification?

14. David Walker (Audit Commission) argued about the epistemological status of knowledge produced by audit and assessment, and how such knowledge might be put to use in securing the 'accountability' that has become the grail of much recent conversation both in politics and public management. In other words, traditionally audit was accountability. Now it is being seen as the 'handmaiden' or even 'underlabourer' for a project of accountability in which the public is subject and object. The government and the Conservatives have signed

up to a 'liberal-diffusionist' model of information about public services. The more knowledge is made available (without intermediation) the better likely the public can hold service providers to account and the more likely they are to trust service providers. This raises a big question for intermediaries like the auditors and inspectors. Could they even be seen as an obstacle to public accountability? This is leading to some rethinking of the intelligibility and expert status of audit and inspection knowledge.

The issue is seen in the recent Comprehensive Area Assessment/Oneplace project: the object is to enlarge the public's capacity to hold service providers to account, but how much do we know about how the public uses knowledge and applies it to its participation in civic affairs?

15. Jessica Crowe (Centre for Public Scrutiny) focused her presentation on scrutiny, which she differentiated from audit and inspection by its lay conduct and its concern with process as much as outcome. She stated four principles for effective scrutiny:

- a. providing a 'critical friend' challenge to the executive
- b. giving the public a voice
- c. carried out by independent lay people
- d. driving improvement in public services.

These roles were also found with the non-executive members of governing bodies, for example, in education and health. For the future she saw scrutiny as an essential adjunct both of achieving more with less from restrictions on public spending and of the devolution of public services with an accompanying weakening of central control.

16. In the subsequent discussion a number of points were made:

- Could there be a local trade-off between audit, inspection and scrutiny with some future reconfiguration of their roles? But there were doubts about whether the practice of LA scrutiny was as yet sufficiently consistent and effective to achieve this. Though its recent incursions into health scrutiny had generally been successful.
- Politicians are generally happier with policy development (Overview) than with scrutiny (Challenge). How many would-be MPs or councillors declare that they seek election in order to scrutinise?
- There is a case for the conceptual clarification of the distinctions between audit, inspection and scrutiny and for addressing their operational overlaps, for example, in health where the myriad functions provide an open door for lobbies and interest groups.
- There could be much more reporting and sharing of information between the functions of audit, inspection and scrutiny.
- 'Mixed models' drawing on audit, inspection and scrutiny approaches could be devised. And variations in the mix of self regulation and external assessment should be possible.
- The relations and reporting lines between audit, inspection and scrutiny with the public and with politics are not always clear. For example, local authority scrutiny arrangements do not always relate to the full Council, in contrast with parliamentary scrutiny which always reports to the legislature.

Final session

17. For the final session Clive Grace as Chair imagined that a major review of audit, inspection and scrutiny arrangements in England was planned. (There had been such reviews relatively recently in Scotland and Wales.) What would be the themes such a review should address? Participants were invited to discuss this question in small groups and come up with proposals. Among those put forward were:

- the 'guard dog' versus 'guide dog' roles
- the development of methods in relation to models, including self-assessment and self-regulation
- the critical friend concept: how friendly? how critical?
- the important and essential quality of trust
- forward versus backward focus in audit, inspection and scrutiny
- the need to highlight risk levels and get the public to accept that audit, inspection and scrutiny does not eliminate risk
- articulating the public interest
- how to bring public views into audit, inspection and scrutiny processes
- the (in)coherence of audit, inspection and scrutiny functions – how can they be integrated and what mix best suits an area and under what circumstances?
- how to combine good practice from all three traditions and encourage more sharing of resources and collaboration
- how to ensure accountability while reducing the burden of audit, inspection and scrutiny
- the respective contributions of policy analysis and policy discourse.

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