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RESEARCH ARTICLE

VfM audit and the UK public sector: A critical review of the VfM reports

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Abstract

The study investigates why the value for money (VfM) audit, in its current form, fails to capture the actual state of affairs in the UK public organizations. To address this, we utilize a VfM assessment matrix and key public sector performance indicators to critically evaluate the VfM reports published by two main public bodies in the United Kingdom, that is, the National Health Services and the police authorities, alongside the reports published by the National Audit Office and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services. Our results reveal that the VfM reports do not clearly show how the 3Es (i.e., economy, efficiency, and effectiveness) associated with the VfM assessment are attained. There are also limited suggestions on the public bodies' service output or social outcomes and how performance targets are fulfilled. We deduce that the VfM audit's failure to capture these elements significantly curtails the benefits of the VfM exercise to public bodies. We argue for complementing the current VfM assessment with a review of the performance of these bodies based on the services they offer as well as their strategic objectives.

KEYWORDS

NHS, police authorities, public sector, VfM audit, VfM reports

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1 | INTRODUCTION

The value for money (VfM) audit in the United Kingdom has received the attention of many scholars who have explored the area from different perspectives (e.g., Alwardat et al., 2015; Lapsley & Pong, 2000; Pendlebury & Shreim, 1990, 1991; Prowley et al., 2016; Sharma, 2007). These researchers point to the continuous change in the shape of the VfM audit and attribute this to the influence of audit bodies, the introduction of new VfM measures, and other social factors. Among the key recommendations put forward to improve the VfM audit practice is for the audit teams involved in the VfM audit process to include people not only from auditing backgrounds but also from other disciplines (Pendlebury & Shreim, 1990, 1991). However, this idea was not implemented in the UK VfM audit process in the last century.

Early research on VfM audits points to a significant difference in the effectiveness of auditing at both the UK local and central government departments, with Auditors Commission and firm of accountants spending 20% less time on effectiveness auditing, while the National Audit Office (NAO) was spending 30% more time on this form of audit (Pendlebury & Shreim, 1990). The end of the last century further saw the NAO audit reports making continuous use of interview evidence and document examination alongside the reliance on consultation with third parties and expert groups, which continued to increase from the 1980s to 1990s (Lonsdale, 2000). On the whole, the VfM audit practice was seen as one that kept constantly evolving (Power, 1997).

Although the VfM audit has been used as a tool to monitor performance (Bowerman et al., 2000), the lack of clearly defined objectives and final output measures and the fear that the UK public sector organizations will ultimately need to change their policies have acted as constraints in achieving effectiveness (Pendlebury & Shreim, 1990), while auditors have always considered VfM as a mechanism that forces managers to review the activities of their organizations (Lapsley & Pong, 2000). Lapsley and Pong (2000, p. 563) assert professional differences as a key constraint in implementing VfM and note that “...difficulties were identified whereby VfM auditors had a focus on quantification, in general, but particularly on cost savings, and other professional groups identified with other values which were not captured by monetary values.”

Subsequently, in the era renowned as the New Public Management (NPM), national audit bodies have mostly struggled to preserve their roles (Bowerman et al., 2003). Particularly, the UK central government was keen on considering audit as a way to maintain control over local spending. However, auditors were not allowed to pay attention to the government itself (Bowerman et al., 2003). The beginning of the 21st century further saw the VfM audit in the United Kingdom being identified as a “backstage” activity since the publication of VfM reports is becoming subject to interactions and negotiations between the auditors and the public service institutions (Sharma, 2007). Although some studies, such as the one presented by Percy (2001), conclude that VfM auditing adds value to Scotland’s public sector bodies.

The VfM audit process has been linked to the UK Private Finance Initiative (PFI) in another stream of research. For instance, Khadaroo (2008) shows that a lack of public accountability and transparency may delay the VfM assessment in the UK school PFI. However, this research does not address the social or nonfinancial aspects of public bodies’ services—at the expense of meeting the financial performance targets of the public bodies (Bracci et al., 2015)—and how these can be improved by aligning public money spending and the services offered by these bodies.

Adding to the limitations of the VfM audit in the United Kingdom, Alwardat et al. (2015) find that despite the improvement observed in the public sector’s institutional performance, following the VfM audit, the assumption that much of the audit’s practices in the United Kingdom were institutionalized in the audited bodies does not hold. The research further points to the existence of several role conflicts attributed to the VfM audit exercise: person–role conflict, role overload, and intersender conflict.

A key change to the VfM audit practice was the introduction of the Local Audit Accountability Act 2014 (Department for Communities & Local Government, 2013), which abolished the Audit Commission. After its inception, VfM auditors’ focus has shifted from assessing the ability to deliver high-quality outputs to examining whether public bodies deliver high-quality inputs (i.e., balanced budgets). Since the launch of the act, a bottom-up accountability approach

is now followed by the UK government (Ferry et al., 2015), which focuses primarily on data transparency rather than on a centralized top-down approach that was previously followed. Under this method, the focus is on the financial budget of the public body rather than its actual performance outputs and outcomes or ability to deliver its services (Ferry & Eckersley, 2015).

In line with the above assertions and developments in VfM audits, the study aims to investigate to what extent VfM audit reporting actually satisfies the 3Es of VfM assessment (economy, efficiency, and effectiveness). Another aspect of the research problem is to explore the nonfinancial elements of VfM reporting and why the current VfM audit practice does not meet the expectations of public sector bodies. In doing so, we aim to provide practical solutions to enhance the quality of the VfM audit and meet the public bodies' key performance indicators and objectives holistically and systematically. The study further conducts cross-time analyses to show the extent of VfM reporting over the period of research investigation, 2000–2020, and the scope of recommendations made by the auditors based on the VfM exercise.

In light of the VfM audit shortcomings stated above, our study contributes to knowledge in three main ways. First, it provides further and more recent evidence on the limitations of the current VfM audit practice and why it does not meet the expectations of the public sector bodies. Second, it illuminates the areas not adequately captured by the VfM audit exercise, including the social or nonfinancial aspects of the services offered by public organizations. This provides the foundation for extending the current VfM exercise and ensuring proper VfM assessment of the public bodies. Third, we provide practical solutions on how to improve the VfM audit and relate this to the public bodies' key performance indicators and objectives.

The rest of the paper is organized as follows. The next section discusses the literature review on the VfM audit, followed by a section on VfM data coding and the Boisot theoretical lens. The research methodology and data collection are explained in Section 4, while in Section 5, we present the study findings and their discussion covering the two groups of public bodies. The final section concludes the research paper and provides policy recommendations on how to improve the VfM audit practice.

2 | LITERATURE REVIEW AND THE VfM CONCEPT

VfM definition is mainly associated with what is referred to as the 3Es (i.e., economy, efficiency, and effectiveness). The Local Government Finance Act (1982) in England and Wales provides the standard definition of each of these 3Es (Glynn, 1985). The literature shows that, to a large extent, these definitions are appropriate in quantifying efficiency and economy, while effectiveness still remains ambiguous and subjective, particularly in regard to its measurement (McKevitt, 2017). For example, Van Thiel and Leeuw (2002) assert that the emphasis should be placed on outcomes rather than outputs for effectiveness to be correctly measured by the auditors, while McKevitt (2017) states that effectiveness is actually a product of the method(s) used in its measurement, such as resources, goals or internal judgments.

Overall, since its inception in the 1970s, the concept of VfM auditing has been subject to diverse interpretations. Power (1997, 2000), in his famous work "the audit society," perceived VfM to be different from other types of audit assessments for three main reasons: (1) in the VfM audit, the focus is on the area(s) or unit(s) being investigated, while the results and recommendations drawn from the auditor(s) review are driven by an appropriate methodological approach; (2) the financial information used in VfM auditing is concrete and forms the basis on which the outcomes are brought forward by the audit investigation; and (3) the core of the VfM audit is by specifying accountability and naming the sections of the organization that did not fulfill their obligations and meet their targets.

Driven by political itineraries, the concept of VfM is gradually linked to public performance (see, for instance, Murray, 2009), and in this context, VfM is also referred to as "best value" (BV). Recent literature scholars, such as McKevitt (2015), argue that the VfM concept is elastic. His argument centers on the premise that VfM does not actually equate

the price of a product or service; rather, under the VfM audit, the expected performance of an organization is compared to the money spent on its services or products.

VfM is different from the *ex ante* assessment form of auditing. It focuses on what eventually occurred by identifying the amount spent and the results attained from the spending. It is also unlike the mainstream financial audit because the VfM audit does not consider the accuracy and consistency of the transactions and instead focuses on the value gained as a result of these transactions (Scharaschkin & McBride, 2016). Consequently, a new method of VfM is suggested, which follows the principles of the modified analytical approach.

Research on VfM auditing also explored the various models used in exercising the VfM audit. For example, Hatherly (1999) presented two models of auditing, power dynamics and accountability. In the power dynamic model, the feedback is transferred directly from the auditors to auditees and vice versa, while stakeholders are kept as outsiders. In this model, there are limited tools that enable interaction between the two parties. In contrast, in the accountability audit model, auditors and their clients are perceived to have a relationship based on a mutual understanding of their responsibilities. This allows for direct communication between the two parties.

The extant literature points to different perceptions on the viability of the current VfM audit models, with some scholars asserting that they are valuable and do generate relevant outcomes to the audited organizations (e.g., Koo & Sim, 1999, on South Korea VfM model; and Morin, 2003, on Canada VfM model). Their argument is that auditors are fully qualified to conduct the VfM audit exercise, and the current VfM approach allows for a reciprocal understanding between the auditors and the auditees. However, focusing on Australia Funnel and Wade (2012) note that auditees are likely to contest the suggestions made following the performance audit, and the relationship between the auditors and auditees is more complex than anticipated. Similarly, Rosa et al. (2014) point to a number of hindrances in the approach adopted in the performance audit in Spain, which lead to strong disagreement between auditors and auditees on the information revealed in the audit letters on the local government sector accountability and performance.

Using Goffman theoretical lenses, Parker et al. (2019) specifically explore the growth of performance audits in Australia and conclude that despite the shift in the performance audit toward an outcome-based audit and giving more weight to effectiveness, the data presented by auditees still do not enable auditors to properly measure this important VfM area. This is in addition to a shortage of auditors with the relevant skills to assess effectiveness.

The external standards used by auditors are viewed as the primary contributor to the reduction in the role of stakeholders in the process of VfM auditing while giving more power to auditors to establish accountability in the bodies they audit (see, for instance, Gendron et al., 2001; Morin & Hazgui, 2016). In this study, we argue that these standards fail to consider the practical aspects of the bodies being audited. For example, quality of care and reducing the number of individuals with chronic diseases are good indicators that healthcare is performing in the health sector. Likewise, a reduction in the crime rate is a reliable benchmark that police authorities could use to indicate that the public money spent is justified. By adding these practical dimensions into the VfM audit exercise, it is more likely that the recommendations made by auditors will be fit for purpose and will go beyond the traditional approach of purely financial-based auditing. In this study, we explain how these service-based elements are equally crucial to the VfM audit exercise alongside the financial assessment to maximize the benefits that public organizations receive from the auditors' recommendations.

On the whole, research on VfM auditing produced mixed results on its actual impact on organizations and their performances. Morin and Hazgui (2016) find that VfM audits enable public organizations to improve their governance. Similarly, Taft (2016), in his review of the VfM audit over the last 20 years, finds that auditors' recommendations are gradually accepted by the bodies subject to auditing, reflecting the benefits added by the auditors' suggestions, while the results of Van Loacke and Put (2011) indicate that VfM audit allows public organizations to identify weaknesses in their own management. This contradicts Alwardat et al. (2015), who found that the VfM audit is not as effective as previously believed, which made them call for further studies on the VfM audit and its implementation in the UK public sector organizations. In line with this call for additional research on VfM audits in public bodies, we apply the principles of content analysis and the Boisot theoretical lens to draw lessons on why the VfM audit is not producing the desired

outcomes or not working as expected and how we can improve VfM auditing by bringing the elements related to the actual services offered by the public bodies into the application of this highly important audit exercise.

3 | VfM DATA CODING AND BOISOT THEORETICAL LENS

As the study relies on the content of the published VfM reports, which is in the form of external information, it is paramount to conduct the review and coding of the information with great care. Boisot and Canals (2004) assert that in many cases, individuals tend to lack understanding of the information they have at hand, which contributes to the information not utilized objectively and ultimately has an implication on the extent to which the problems explored are actually dealt with. To address this critical issue and allow for better use of the information, the process of handling the information and capturing its internal features should be taken distinctively from the information itself. In this research, we follow specific criteria (see Table 1) to encapsulate the issues related to the key parameters of VfM auditing.

Methodically, information is perceived as a thing (Prigogine, 1980) or what the user extricates from the data based on his previous knowledge and own expectancies (Boisot). In which case analyzing information necessitates capturing their complexity and dynamism while bearing these as nonlinear. In addition, users or agents related to the information may obtain different knowledge due to their interpretations of the information (Frausman, 1998). Particularly, room for negotiation should be allowed between the relating agents while they draw meaning from the information (Habermas, 1987). In this study, the researchers met frequently to discuss the issues emerging from the review of the VfM reports, which allowed for more consistency in the interpretation of the reports' data. Boisot and Canals, conversely, question whether open negotiation actually relates to the codes that are inherited by the agents and their own interactions. The created codes are likely to influence the meanings attached to the information alongside the negotiation among the agents. Other factors, such as institutions and power, are also likely to drive human reasoning and their interpretations of the information used (DiMaggio & Powell, 1983; Scott, 1989). For the purpose of this paper, the data are categorized or coded based on the issuer of the report and the extent to which it relates to the main elements of the VfM audit.

Specifically, data from the Boisot viewpoint are a "low-level energy," which is subject to two levels of processing strategies. In the first level, coding is performed through a range of probabilities based on a certain efficiency scale. In the second level, abstracting is applied to obtain concepts, which is used as a tool to interpret the categories generated for the data. By applying abstraction, generalization is attained as different categories are connected with each other, enabling these categories to be associated with a specific purpose and as a unified object (Boisot, 1995, p. 39). Similarly, in our study, after performing the categorization, we sought to generalize the points made by linking the issues raised and see if these are actually affected by the changes in the way National Health Services (NHS) and police authorities deliver value to the public. In this regard, we refer to the reasoning presented by Sánchez-Fernández and Iniesta-Bonillo (2006), who postulate that differences exist in the way value is perceived by an individual or across a group of individuals depending on the different events and circumstances they are subject to. The views that individuals attach to price, quality, costs, and/or benefits result in the variation in their perception of value. Therefore, the notion of value is not only a reflection of trade-off between price and quality but is also underpinned by a number of other factors (Sinha & DeSarbo, 1998), some of which might be outside the control of public service management processes. Additionally, according to Moore (2013), value is embedded both in the desires and perception of individuals, who are the ultimate deciders of whether public sector enterprises deliver value, while at the same time, politics play an evolving and important role in public administration (Turkel & Turkel, 2016). All these issues would appear to be affecting and shaping the way value is determined and calculated.

In addition to the two levels of data processing strategies, Boisot and Canals propose a split of information into external and internal. The former is identified to entail data that are appropriately codified, leading to better flow of the information, while the latter is deemed to entail data that are viscid due to the type of knowledge associated with

TABLE 1 Value for money report assessment matrix

Parameters of VFM	Elements to include in each Vfm parameter based on NAO definitions	Application of each parameter to public sector services based on Vfm reports
Economy	<ul style="list-style-type: none"> The price paid/amount spent in order to provide a service at best value. Cost aligned with the quality of service and inputs. 	<ul style="list-style-type: none"> Does the Vfm report captures the public body costs and their method of measurement? Does the report refer to the public body service quality based on the Vfm assessment? Does the Vfm report outline how the costs are aligned based on the quality or type of services offered by the public sector body?
Efficiency	<ul style="list-style-type: none"> Measure of productivity. Determine the service output based on the resources used or inputs. 	<ul style="list-style-type: none"> Does the report refer to the measures used for the public sector body productivity? Does the report specify the criteria used to map between the resources used and service output? Does the report discuss how the service(s) output is measured based on the Vfm assessment? Does the report fully capture the service output offered by the public body?
Effectiveness	<ul style="list-style-type: none"> Measure the impact of gaining value for money of the service offered. Outcomes received based on outputs. Measured quantitatively or qualitatively. 	<ul style="list-style-type: none"> Does the Vfm report state what are the criteria used to measure the impact of service offered by the public body? Does the Vfm report explain if the outcomes are directly matched with the outputs? Does the Vfm report contain enough evidence about public body effectiveness? Does the report fully capture the impact of the services offered by the public body?

internal information that is of a tacit type. As the information used in this research is all external, in the form of reports, it lays well with the process of codification and results in a much improved narrative of the themes discussed.

To make sense of the information used, they need to be interpreted and transformed by their recipients into what is perceived as lucid knowledge (Daft & Werch, 1984). How the information comes to existence and their coding are to be approached first before drawing sense from them. Correspondingly, in this study, we obtain meaning from the information after we formulate the intended categories or data codes. It is worth noting that while information theory places emphasis on the transmission mechanism of the information used (Shannon, 1948), the theory is criticized as not being responsive toward the content and meaning attached to the information (Boisot & Canals, 2004).

To enable proper coding, unequivocal rules should be applied to the codes, while implicit rulings are to be used for the interpretation of the context (Boisot and Canals, 2004). The data utilized in the coding are considered to encompass information only if the agent(s) involved in the creation of the information are recognized as knowledgeable. The agent observes the regularities existing in the data and then extricates what he believes as relevant information to him and subsequently acts on them. As the data used in our study are published by authoritative bodies, such as NAO and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), it is deemed to contain relevant information, while the researcher(s) involved in the study all have the required knowledge and skills to draw meanings from this information.

In the coding, the researcher considers the number of characters or symbols appearing in the data and their repetition while taking their compatibility with the criteria set for the selection of the symbols as well as the length of messages within the data used. For the purpose of this research, the main symbols or keywords we look at in the data are the 3Es and any indicators reflecting the financial and nonfinancial performance of the public body (e.g., cash flow, resources, crime rate, hospital waiting time).

The process of coding is envisaged as an activity similar to neural systems, as energy configurations are related to the homomorphic connections that draw astute extrapolations and ultimately result in effective communication (Boisot, 1995, p. 42). The stock of items identified in the data is used as a tool in the coding process and on which some form of data patterns and characters are studied and soothed, taking into account the different possibilities of data formation.

The codification is placed in different levels based on an ordinal range. The first level is referred to as contemplating and almost reflects the notion of perceptual/interpretive knowledge. Naming is the second level and is linked to the actual coded knowledge. Interacting is the last level and takes into account the various elements and objects of the data used. The extent of coding determines the scale of data used to explain the object. In addition, coding enables new facts and objects to be brought together under the created category. The use of abstraction allows us to reduce the number of categories created for the purpose of data filtering. It is through abstraction that the various relations shared within the categories are captured. Analytical reasoning forms the foundation of abstraction, while synthetic reasoning is the basis of codification (Boisot & Canals, 2004). The various forms of knowledge are encapsulated in the data used in this study, as perceptual knowledge (e.g., the perception of value and VfM) is used to inform the coded knowledge (the categories created based on the VfM parameters and public body performance indicators), which is then used as interpretive knowledge based on the subsets or the categories formed.

On the whole, we adopted the three crucial aspects of the Boisot model: codification, abstraction and diffusion. The application of this model entails six steps, which allow the content of the information used to be connected with the knowledge management. In the first step, an intuition is obtained from the existing VfM data reports. The second stage involves structures to be generated using the VfM data while maintaining the organization of the structures and the actual perception or definition of value. Abstraction is adopted in the third stage by creating consensus of what has been codified or categorized based on 3Es and performance indicators, so it applies to different scenarios or possibilities. Step four involves generating intuitions on the current VfM audit appropriateness and attaching these to a designated population (public bodies) systematically and in an abstracted form. The fifth step entails relating the intuitions generated from the categories formed and linking them to various situations and proxies (e.g., hospital admission rates, waiting time, crime rate, conviction rate) to generate insights and extend our knowledge and understanding of

TABLE 2 VfM and actual public sector performance indicators

Areas captured by the VfM audit report	The actual public sector performance measures and outcomes
<ul style="list-style-type: none"> • The optimal use of resources in the public body (economy). • The extent to which the quantity and the quality of service offered are based on the lowest cost possible (efficiency). • The extent to which outcomes are achieved based on the resources used (effectiveness). 	<p><u>Financial measures</u>: This includes for instance costs incurred, revenues received, net profit/loss, cash deficit/surplus, and return on investments.</p> <p><u>Non financial measures</u>: This varies from one type of public body/organization to another and for the two public bodies covered by this study these measures are given below:</p> <p>1. National Health Service main indicators:</p> <p>Admission rate, number of hospital beds, mortality rate, responsiveness to patients, patients experience of NHS services, quality of treatments.</p> <p>2. Police authorities main indicators:</p> <p>Crime rate, conviction rate, level of public safety and security, domestic violence, road safety, drug use, level of anti-social behavior.</p>

the VfM audit in the public sector and whether it truly serves the purpose it has been set for. In the last stage, abstract knowledge (perception of VfM) is linked up to real events and practices (the way public bodies measure their performance) in order for the knowledge to have a desirable effect (to have a better grasp of what constitutes value in public bodies).

4 | RESEARCH METHODOLOGY AND DATA COLLECTION

To address the study aims and objectives, the principles of content analysis are adopted. This approach has been used extensively in accounting research (e.g., Bellucci & Manetti, 2017; Breton & Taffler, 2001; Cooley, 2020; Helfaya et al., 2019; Hummel et al., 2019; Miles & Ringham, 2019; Rhianon Edgley et al., 2010). The method focuses on studying texts to identify and draw meanings and to check for content authenticity. It is considered a social scientific method due to its capacity to analyze data quantitatively and qualitatively (Neuendorf, 2002). The content analysis is perceived to be relevant to our study, as it enables us to examine the VfM report systematically and objectively. To ensure a proper analysis of the text based on our study's main objectives, we first created the VfM assessment matrix (see Table 1). The matrix is based on VfM parameters set by the NAO and their definitions and how each parameter applies to the public sector body services based on the VfM reports.

We first identify whether the VfM report refers to the area of assessment based on the three parameters on which VfM is based. Then, we discuss the extent of reporting for each area depending on the amount of information and details provided in the report. This is carried out in three stages. First, each researcher collects relevant VfM reports published by the NAO or by the public body, and this is split based on the two types of public bodies included in the study (i.e., NHS and police authorities). Second, the researcher reviews the VfM reports using the three parameters of VfM and according to the assessment matrix (see Table 1). Third, the researchers organize group meetings to ensure consistency in the review process to discuss how the reports are evaluated and how the assessment matrix is applied to each report. Fourth, the researchers identify the issues not captured by the VfM reports using the list of questions outlined in the assessment matrix.

In the review of the VfM reports, we map the content of each report with the actual performance measures and outcomes used by the public body (see Tables 2 & 3). This mapping enables us to identify the areas not included in the

TABLE 3 Descriptive statistics

Public organization or authority	NHS	Police authority
Total number of reports	30	13
Location		
England	25	10
Scotland	5	2
Wales		1
Sentiment of reports		
Positive reports	17	11
Negative reports	6	2
Mixed reports	7	
Audit opinions		
Qualified opinions	27	N/A
Unqualified opinions	3	N/A
Intensity of reporting		
Significant	10	1
Moderate	20	12
Type/extent of recommendations		
High priority	6	2
Medium priority	4	4
Low priority	16	4
Type of auditor		
Public	7	2
Private	23	10

VfM reports for each type of public organization. We follow this by a critical analysis of the actions that the NAO and public bodies can take to improve the VfM audit exercise by including nonfinancial performance measures.

The number of VfM reports reviewed is 60, that is, 30 for each type of public body, and this is carried out for the period from 2000 to 2020, 20 reports for the 2000–2009 period and 40 reports for the subsequent period, 2010–2020. In the quantitative analyses, we used 30 reports for the NHS and 13 reports for police authorities (17 reports of police authorities were not used, as we were not able to verify the items assessed). The variation in the number of reports for each period is due to the number of reports found and the extent to which the reports contain new or relevant information based on the VfM assessment matrix. The selection of the reports is based on the following criteria: (1) the publisher of the reports, which needs to be an authoritative body, such as NAO and HMICFRS, an established private VfM audit firm or by the public organization subject to the VfM auditing; (2) the relevance of the VfM reports to the two types of public organizations included in the study; and (3) the applicability of the reports to the period under consideration. We thoroughly examined the content of each report based on the assessment matrix set in Table 1 and performance indicators outlined in Table 2. We continued the process until the review did not generate any new information about the parameters on which we based our analyses. This started to emerge after the review of seven reports for the period 2000–2009 and 15 reports for the period 2010–2020 for each body, but we continued the search to the point that the information became no longer new and repetitive.

As there was no central depository for the VfM audit reports, we relied on a manual Internet search to find the reports using specific keywords, such as “value for money report” and “best value report.” After the qualitative review of 10 reports for 2000–2009 and 20 reports for 2010–2020 for each public body, we observed that the reports mainly refer to the same issues as guided by the NAO principles, and more reports would not have changed the study findings and conclusions. Therefore, we deduce that the research results are representative of the public bodies covered in the study.

In addition to the VfM assessment matrix and performance indicators, we have considered the VfM reporting requirements and how this has evolved over time in the United Kingdom. This includes the abolishment of the Audit Commission in 2015. In addition, we have taken into account the main changes in regulations or policies affecting the two types of public bodies as driven by the new political and social environment, which is deemed to influence the perception of efficiency and effectiveness in the organizations subject to VfM auditing. This has allowed us to fully incorporate the actual meaning of added “value” as it applies to these organization(s). The following table summarizes the descriptive statistics of the sample.

5 | RESULTS AND DISCUSSION

In this section, we provide a critical analysis of the study results based on the research methodology explained above. We discuss the content of the VfM reports and to what extent they reflect the three areas of assessments: economy, efficiency, and effectiveness. We also present directions on how to improve the current practice of VfM auditing.

5.1 | NHS VfM audit

5.1.1 | VfM reports and assessment matrix

The first issue observed in the valuation of the NHS VfM reports is the significant differentiation in their length, with the shortest one being three pages long and the longest one being 49 pages long, indicating the discrepancy in the extent to which VfM audits are conducted. Out of the 30 reports examined, 25 refer to the first parameter of VfM (economy), with some reports providing details about how economy has been achieved, while others only providing a short statement that it has been achieved. Specifically, we find that nine out of the 25 reports capture elements of the public body costs and their method of measurement, but they do not refer to the service quality of the NHS Trusts on the basis of the VfM assessment. Additionally, none of the reports clearly shows how the costs are aligned based on the services provided. Out of the remaining 16 reports, eight capture elements such as financial forecasts/planning, financial sustainability, budgeting and savings targets, while the other 8 reports refer to the “economy” but without explaining how it has been achieved.

In regard to “efficiency,” 29 of the reports refer to this element but without clearly explaining how it is achieved. The reports also refer to efficiency differently, with six reports using the term cost efficiency and six others using the term cost savings, while other reports use words such as *internal governance* and *operational structure* and *performance* when they refer to efficiency. Three of the reports that use the term cost savings do not refer to either “economy” or “effectiveness”. Two reports specifically state that “*The Trust is prioritizing its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity*”, although without providing any indication of how efficiency is actually attained. One report does not provide any further information apart from mentioning that efficiency has been achieved.

Some of the VfM reports do provide explicit information on the governance and transparency of the NHS Trusts’ Boards, stating that there are “*appropriate governance arrangements in place that support scrutiny of decisions made by the board*”. All the reports that provide such an opinion make statements that the resources are utilized effectively but

without providing any information on how this has been achieved based on the services offered by the NHS trusts. For the remaining reports, and due to the lack of information provided, it is not clear which areas are related to the noneffective use of resources.

In terms of “effectiveness” nine reports refer unambiguously to this VfM element, with six of them providing additional information in terms of *performance management* and *service performance*. Under performance management, six of the reports contain details on whether the NHS trusts/boards performed against the target set in the national performance framework on waiting times to access treatments. It is worth noting that all six of these reports are reports of Scottish NHS boards¹. These reports, as mentioned above, also include information on service performance effectiveness, providing details of Local Delivery Plan Standards (LDPS), such as whether the boards have managed to meet urgent referral for suspicion of cancer (62 days target) or not and indicating what the boards’ action(s) is when the target is not met. Another report identifies the failure of a board to comply with healthcare standards, which implies that effectiveness has not been achieved, while two reports refer to operational effectiveness, without however providing detailed explanations of why this has not been achieved or what action has or will be taken by the trust to achieve it.

On the whole, some outcomes of NHS services are captured in certain reports, and their results are compared to the national standards. These outcomes include (among others), the waiting time in A&E, the time it takes for patients to receive treatment after their diagnosis, and the time it takes patients to receive drug or alcohol treatment that will support their recovery. These reports manage to capture certain social factors that help in assessing NHS performance. An example of this is the following statement from NHS Scotland: “shorter waiting times can lead to earlier diagnosis and better outcomes for many patients as well as reducing unnecessary worry and uncertainty for patients and their relatives” (NHS Scotland, 2015–2016, p. 12). Nonetheless, the majority of the reports examined do not do so. It is worth noting that most of the reports capturing such outcomes of NHS services are from NHS Scotland. As mentioned above, in 2004, the structure of NHS Scotland changed, and 14 boards were created. These boards are accountable to Scottish government ministers and are monitored by the Scottish government for their governance and performance through HEAT² targets, national guidelines and standards, and annual accountability reviews.

According to the NAO (2018) report, there was an increase (from 29% in 2015–2016 to 38% in 2017–2018) in the number of qualified opinions provided for local NHS bodies. This increase, however, is attributed to the failure of these bodies to meet the financial targets set by the British Parliament and disregards factors that relate to social performance such as safety, dignity and respect and safeguarding from abuse. What is of interest, although, is that when someone checks the respective annual reports of these trusts, which include the auditors’ opinion on VfM, they can see that most of them mention the role of auditors at employing the appropriate mechanisms/arrangements to ensure that the 3Es are in place. However, it is not the auditor’s responsibility to ensure that these mechanisms operate efficiently. This raises questions over whether just ensuring that arrangements are in place is enough to argue that a VfM audit has served its purpose.

5.1.2 | VfM reports and NHS performance measures and objectives

This section uses the content of the reports examined to provide an analysis of the VfM assessment and what is perceived as the actual performance measures and outcomes of NHS-based trusts. We also use our evaluation of the VfM reports to show that there are certain social/nonfinancial aspects that are not captured by these reports in their current form.

Among the best examples of reports examined is a report by the auditor general in Scotland (Audit Scotland, 2019), which shows how the NHS is performing and provides ideas on how a sustainable NHS can be achieved. The report not only evaluates NHS Scotland in terms of financial performance but also against other items, such as waiting time, and highlights the importance and steps taken to achieve health and social care integration, which is an initiative introduced through the Public Bodies (Joint Working) (Scotland) Act 2014. The Act commands “the integration of the

governance, planning and resourcing of adult social care services, adult primary care and community health services and some hospital services. Other areas such as children's health and social care services, and criminal justice social work can also be integrated" (Burgess, 2016, p. 3). The auditor general, in drawing up his conclusions and performing the audit work, takes into consideration, among others, the annual audited accounts, the audit reports/letters, the operational plans of the NHS boards, the outcomes of the interviews held with different stakeholders, and the survey results from NHS staff and patients. Despite the example of good practice identified in NHS Scotland, one should be mindful that the inclusiveness of those elements, which reflect good practice, in the reports does not necessarily mean that NHS boards operate effectively and efficiently. This is professed, for instance, in the 2019 report on NHS Scotland performance (Audit Scotland, 2019), as it revealed that even though the experience of patients in Scotland improved, the healthcare system continues to have difficulty meeting the main waiting times set by authorities.

One could argue that the consistency and the amount of details that is found in the reports for NHS boards is related to the different legislative practices and governance arrangements in Scotland. Integrated health care had been at the forefront of the Scottish Parliament since its formation in 1999³, when a new government was devolved (Woods, 2001), and its main view was to promote both vertical and horizontal integration in the delivery of health care.

Similar to Scotland to a large extent, the report by the comptroller and auditor general in Northern Ireland (NIAO, 2018) focuses on the financial performance of the NHS and the reasons why the hospitals were unable to meet any of the national targets set for the waiting times. To address this performance shortcoming, the auditor general identifies the need for medium-term planning instead of adopting an annual one but fails to take into consideration any other social aspects that might show how VfM is fit for purpose by showing what the best value is or how it can be achieved. The report of NAO (2018) does not comment on any specific performance measure and objectively, apart from identifying that they account for less than 9% of the increase in the level of qualified VfM reports.

The auditor guidance note 3 provided by the NAO sets out the legal and professional framework as well as the code of audit practice and identifies the evaluation criterion and the work that needs to be undertaken by auditors to "deliver safe conclusion on arrangement to secure VfM" (NAO, 2020, p. 9). Among others, the guidance suggests that auditors in England could make use of Care Quality Commission (CQC) reports while conducting their risk assessment when evaluating NHS performance. CQC is an independent regulator that covers health and social care services and seeks to evaluate whether these services are safe, effective, caring, responsive, and well-led (CQC, 2018). One could argue that CQC reports "measure" the social performance of the health sector that, unfortunately, is not captured by the VfM audit in its current state. Even though auditors are encouraged to use such reports, there exist a number of examples to show that this is not always the case and that there is a gap between the social and financial performance of the NHS.

A number of appropriate recommendations emerge from the CQC reports. For instance, the CQC (2016) report for the Royal United Hospitals Bath (RUHB) NHS Foundation Trust (FT) reveals that the Royal National Hospital for Rheumatic Diseases required improvement, as it was underperforming in terms of safety, responsiveness, and leadership. The report indicates that not all staff members have completed the mandatory training, not all patients with complex care needs had the therapy support needed, and the care and treatment records maintained for patients were not adequately monitored or measured in terms of quality. The auditor's report (Royal United Hospitals Bath [RUHB], 2016), however, does not identify any of these issues, which indicates that social factors are neglected in the VfM audits.

The latest audit letter (Grant Thornton, 2019) for the Wye Valley NHS FT, to which County Hospital belongs, highlights the inadequacies in the trust's effort to secure the 3Es. Nevertheless, the opinion was formed mainly using the financial measures (e.g., absence of a break-even plan and the dependence of the trust's working capital on borrowing) and not including any social aspects that were identified in the CQC (2020a) report (e.g., rating the hospital as requiring improvement in all services apart from care). The hospital was rated as inadequate in conducting surgeries, staff not completing all risk assessments for each patient and not attempting to minimize every risk. The Wye Valley FT itself was rated also as requiring improvement in the latest CQC inspection report, which is not in line with recommendations and conclusions presented in the VfM reports.

Similar issues are observed in the comparison between the annual report and CQC report of Gloucestershire Hospitals NHS FT. No matters are reported by the auditors, while the CQC (2019a) report has rated the trust as requiring improvement in terms of responsiveness and use of resources. Likewise, the auditor's report for King's College Hospital NHS FT provides a qualified opinion based on errors in certain quantified targets, such as the "percentage of patients with total time in A&E of four hours or less from arrival to admission, transfer or discharge" (King's College Hospital, 2019, p. 194), but does not reflect on other social aspects that have been identified in the CQC (2019b) report, which rates the trust as inadequate in using its resources appropriately, as the trust is perceived to have breached the legal requirement.

Another case we found relates to the Mid Essex Hospital Services (2019) in which auditors referred to the issues pertinent to the use of resource inadequacy in the 2018–2019 annual report (also revealed by the CQC report) and reported on them exclusively as required by the NAO. However, the auditor report does not contain information on the social factors that the CQC (2020b) report has specifically identified, including a lack of mandatory training for some staff members and the absence of full risk assessments in several areas. In contrast, the auditors only provide a qualified opinion for Liverpool University Hospitals (LUH) NHS FT (2020) while taking into account the conclusions reached in the CQC (2019c) report, as they state that "matters indicate weaknesses in arrangements for: applying the principles and values of sound governance; managing risks effectively; planning finances effectively; managing and utilizing assets effectively; and planning, organizing and developing the workforce effectively as defined by Auditor Guidance Note 03 issued by the National Audit Office" (LUH, 2020, p. 106).

The same applies to the case of the Leicestershire Partnership NHS trust report (2019), in which the auditors provide a qualified opinion on the basis of the concerns raised by the CQC (2019d) report by pointing to important concerns about smoking in ward areas (among others), as well as the increase in waiting time for people requiring treatment after assessment. Equally, the auditors' opinion included in the Avon and Wiltshire annual report (2020) is a qualified one, as they refer to the 3Es and make use of the CQC report, but do not make any explicit reference to the fact that the CQC (2020c) report has found that the trust is requiring improvement in three out of the five key areas (safety, responsiveness, and well-led). Finally, while the CQC (2019e) report for Airedale NHS FT has identified the FT as requiring improvement, both in terms of well-led and safe services, the auditors only refer to the 3Es (Airedale NHS FT, 2019) without identifying any issues for the trust.

Overall, *respect, dignity, quality of care, and compassion* are among the value of NHS constitution (2015), and providing the best VfM to taxpayers is among NHS principles. However, as identified above, the VfM audit in its current form fails to evaluate the social performance of the NHS, as in the majority of the reports, social aspects/factors are, unfortunately, not captured by the VfM auditors.

We summarize this section by presenting certain key findings in Table 4. The VfM parameters include Economy, efficiency, and effectiveness for the NHS trusts. Next, we present in the table the VfM parameters included or discussed in the reports surveyed and present the frequency count for each. In terms of economy, 57% were focused on public funding, while 43% focused on forecasts (not to be taken as mutually exclusive outcomes). In terms of efficiency, the focus was on resource efficiency (93%), followed by governance (70%). In terms of effectiveness, the focus was on key performance indicators, which were evident in 30% of the reports. We also observed a slight variation in these KPIs in two reports, that is, the Key Performance Indicators (KPIs) were more focused on deliverables. We also surveyed VfM parameters not included in the reports, and the notable omissions were (i) cost alignment with services provided under Economy, (ii) the relationship between efficiency and the NHS services offered, and (iii) the extent to which effectiveness was offered.

TABLE 4 NHS VfM parameter reporting

VfM parameters	VfM parameter(s) included or discussed in details in the reports	Number of reports referring to the parameter(s)	VfM parameter(s) not included or discussed in details in the reports	Number of reports not referring to the parameter(s)
Economy	<ul style="list-style-type: none"> Public body cost and method of measurement Financial forecasts/planning, financial sustainability, budgeting, and savings targets 	17 out of 30	<ul style="list-style-type: none"> Cost alignment with the services provided 	14 out of 30
Efficiency	<ul style="list-style-type: none"> Cost efficiency Internal governance, operational structure, and performance Resources efficiency use 	9 out of 30	<ul style="list-style-type: none"> To what extent efficiency has been achieved based on the services offered 	All (30)
Effectiveness	<ul style="list-style-type: none"> Management of services and performance effectiveness <p><i>Elements referred to include: Setting local delivery plans; Meeting urgent referrals (cancer related—62 days target); Compliance with health care standards</i></p> <ul style="list-style-type: none"> NHS service outcomes (e.g., waiting time, time taken to receive treatment after diagnosis) 	21 out of 30	<ul style="list-style-type: none"> To what extent effectiveness has been achieved based on the services offered 	All (30)
		28 out of 30		
		9 out of 30		
		2 out of 30 (All NHS Scotland reports)		

Note: NHS service outcomes such as waiting time and time taken to receive treatment after diagnosis are compared to the national standards—NHS Scotland. Number of qualified opinion provided for local NHS bodies: 29% (2015–2016) to 38% (2017–2018)—Increase is due to failure to meet the financial target set.

5.2 | Police authorities VfM audit

5.2.1 | Policy authorities VfM reports and assessment matrix

Similar to NHS, we conducted a thorough review of the police authorities' VfM reports. Out of the 30 VfM reports examined, 27 did refer implicitly to the first parameter of VfM, economy—two of the three reports that did not refer to economy are for the period 2000–2009. However, not all reports contained the same level of details on this factor. Funding, meeting saving targets and the deployment of resources or spending are the three main areas referred to in the reports. Other elements captured in the reports include financial planning, budget forecasts, capital expenditure, cash resources, asset valuation, number and value of contracts, pension liability, and financial sustainability (see, for instance, Accounts Scotland, 2009). Although the key costs incurred by the police authority are presented in most of the reports, there is no proper alignment with the service quality offered. They also do not clearly show the methods used in the measurement of these costs and why they are considered to be reasonable or within the remits of attaining VfM. In nine reports, the information provided is even limited to short statements without an explanation of how the judgment on economy has been reached. The reports emphasize that the criteria followed for costing and economy are in line with the local government acts such as “section 1 of the Local Government in Scotland Act, 2003” and the “Police (Northern Ireland) Act 2000 section 28.”

The element of “efficiency” instead is covered in 29 of the reports reviewed—the one report that did not refer to the element of efficiency is for the period from 2010 to 2020. However, in most reports, 22 to be precise (7 for the period 2000–2009 and 15 for the period 2010–2020), the information provided in this area is perceived to be limited, as there is little explanation on the methods adopted by the police authorities to measure their service outcomes or how the resources are mapped with the services offered. Among the best reports to account for efficiency is by NAO (2010), as it clearly states the performance indicators used and the targets used for each indicator.⁴ The extent of the information provided on how the service output is assessed using VfM guidelines, however, is scant in most reports (e.g., Chief Constable of Greater Manchester Police, 2019; Chief Inspector of Constabulary, 2001; Cumbria Office of the Police & Crime Commissioner & Cumbria Constabulary, 2020; Northamptonshire Police & Crime Commissioner, 2017). In addition, it is very difficult to identify in the reports the service outputs based on VfM judgment. Only a few reports specify the areas of efficiency, including those related to the use of resources, operational performance, internal governance, project management and corporate function. On the whole, the reports tend to focus on making statements that resources are utilized effectively without explicitly showing how this has been achieved based on the services offered by the police authorities. This reflects the HMICFRS (2010a, p. 7) statement that “*the reality remains that few authorities are well positioned, or well prepared, to do what is needed to ensure smart direction and value for money.*” Moreover, there is clear variation in reporting on efficiency, with less emphasis given to the police authority service output, which is meant to be the core of the VfM assessment.

Out of the 3Es used to measure VfM, effectiveness is the area with the least amount of information contained in the reports reviewed for the period 2010–2020, although more reporting has been observed for the period 2000–2009. Eight reports did not entail any direct or relevant information on effectiveness, while seven reports did refer to effectiveness but without any explanation or details on its measurement or evaluation. Among the statements used to refer to effectiveness include “achieve planned and sustainable outcomes for taxpayers”, “improve effectiveness of risk management”, “set performance measures that are linked to police operational plans”, and “analyze internal controls”. However, the reports do not explain how these are attained based on the impact of VfM on the services offered by the police authorities. Few reports also outline the factors inhibiting the outcomes desired from the best use of resources by the police. This includes financial challenges, lack of coordination⁵, governance, impact of Brexit and other issues associated with the way the police are conducting their business process. In two reports, effectiveness is linked to robustness in risk management and the need to incorporate internal audit recommendations and other measures of quality. Reports also refer to significant variation in police authorities' services effectiveness and the scale of their

investment (e.g., HMICFRS, 2009). Another report by the NAO stated the lack of clear indicators that reflect the VfM audit process and how the desired outcomes are attained by the police forces (NAO, 2018).

Some reports attempt to capture elements related to the outcomes of police services. For example, the Auditor General for Wales (2016) asserts in his report that the Commissioner is playing a good role at enhancing community safety, which is a relevant determinant of VfM. However, the report does not explain how this is achieved by the police forces. Other reports by the Lancashire Police and Crime Commissioner (Grant Thornton, 2017) and the Police and Crime Commissioner of Surrey (2016) also refer to the use of resources to attain sustainable outcomes for the public but without further details on these outcomes and how they are actually attained. While a report by the Durham Police, Crime and Victim's Commission identifies communities' safety, level of crime and extent of support for the vulnerable as key outcomes of the police work and reasonable explanations are provided on the actions taken to achieve these outcomes, including the rehabilitation of the offended individuals and reducing rough sleeping (Office of the Durham Police, Crime & Victim's Commissioner, 2020). These preventative and intervention methods seem to be effective at lowering the crime rate, and this is a good example to share with other police forces.

However, the performance indicators adopted for policing have been subject to criticism in the NAO VfM reports, particularly for the 2000–2009 period. For example, NAO (2004) states that the mandatory indicators used are broadly the same in England, Wales and North Ireland, and the main shortcomings of these indicators are the extent to which they actually reflect performance improvement and how they are measured. In NAO (2007) report, performance indicators are considered to be reasonable but should be improved. The methodology, which contains the indicators used, is thought to be comprehensive and evolving over time. This includes applying further checks and considering external influences and events with a direct effect on policing.

As a whole, a number of fundamental issues have been identified in recent VfM assessment reports. A report by NAO (2018) stated a lack of understanding of the demand for police services and difficulty in aligning funding to police services. This is in addition to the absence of a systematic approach or specific indicators to evaluate financial sustainability in the police forces. In another report by NAO, there is reference to the lack of reliable information that can be used to evaluate the impact of funding cuts on the services offered (NAO, 2016). Gaps exist between the outcomes identified through the external auditors' scrutiny and the actual work carried out by the police (see NAO, 2001, 2014, 2016 reports on VfM outcomes and recommendations). All these factors pose significant risk to the VfM assessment and conclusions.

Despite the drawbacks identified in the VfM judgment, it is well-documented that VfM risk assessment takes full account of information made available by the police authorities with a clear intention to deploy resources in a sustainable manner. The VfM risk assessment also entails a critical review of internal control systems and, at certain police commissions, an examination of partnership arrangements. Alongside these measures, financial resilience is identified as an important proxy for the extent of effectively using public resources. In some reports, it is stated that collaborating with partners and third parties or agencies is pivotal in identifying areas in which VfM could be improved (e.g., Account Commission, 2009; HMICFRS, 2009).⁶ In the meantime, there is a recognition that comparing the police forces may not be forthright due to different emphases on performance and having to deal, for example, with different crime rates.

5.2.2 | VfM reports and police authorities performance measures and objectives

In this section, we provide an analysis of the VfM assessment and what is perceived as the actual performance measures and outcomes for the police authorities based on the contents of the reports examined. Among the good examples of reports found to capture the areas of VfM assessment is a report by the Scottish police authority (2019). The report reveals six main areas covered by the auditor general in their assessment of police in Scotland: (1) an opinion of the public body year-end accounts; (2) changes in financial reporting; (3) financial sustainability; (4) governance and leadership; (5) revenue spending; and (6) arrangements related to performance management. In line with these areas, the auditor general reviews the quality of financial statements, cash spending and forecast, capital expenditure

and projects, financial planning, governance arrangements and procedures, implementation of policies, effectiveness of program framework and makes recommendations accordingly. The report also refers to the workplace review and adoption of digitalization and information technology in policing. VfM auditing, which forms part of the auditor general assessment, however, does not relate to the key performance indicators used in policing, such as the crime rate, community safety, offending, and reoffending rates.

Other reports that provide good examples of VfM assessment in police authorities are the NAO (2010) report, which clearly specifies the performance indicators used by police forces and how the targets are measured, and NAO (2007), which states explicit recommendations on how to achieve potential savings and ensure effectiveness in areas such as anti-social behavior. Among the measures used to account for police force efficiency and effectiveness are average sickness days and percentage of custody cases administered within the stipulated time frame. However, the reports still fail to implicitly explain why these indicators and suggestions are deemed reasonable in fulfilling the VfM expectations and how they can be achievable in practical terms, particularly with the police funding cuts taking effect from 2009 to 2010 onward.

The key recommendations made by the auditors to the police authority on their VfM assessment are in the following areas: corporate governance, internal controls, risk management procedures, workforce utilization, sustainability and community confidence, and contract monitoring and judgment (see Henderson Loggie Chartered Accountants, 2010; NAO, 2010, 2019; Scottish police authority, 2018).⁷ Auditors also conclude that accountable officers need to put in place a mechanism to ensure best value, as current professional services received externally and from consultancy do not add value for money to the police forces. Although these recommendations are essential and valid, we deduce that they do not relate specifically to nonfinancial measures, such as crime rate and road safety, that are the primary focus of policing.

In line with our assertion, the police authority future strategic arrangement—Policing 2026—states that performance indicators and measures are directly mapped with the police operational plans. The published document stresses that “*more work is required to link identified KPIs to strategic objectives and to define, document and structure how the performance management processes will work in practice*” (p. 27). The police performance is reviewed across the following operational components: antisocial behavior and disorder, violence, organized crimes, home-based extremism and counter terrorism, protection of individuals who are at risk, road crime and safety and acquisitive crime (see, for instance, HM Inspectorate of Constabulary for Scotland, 2012). Although VfM is perceived as a key tool to judge the quality of police performance in these areas, the current VfM auditing does not support a proper judgment of the elements specified and, as a result, it is of limited assistance to police authorities. This reflects an early recommendation by the metropolitan police authority that the principles of VfM should be integrated into the day-to-day operational plans of policing to achieve continuous improvement in the work of police forces (Metropolitan Police Authority, 2003).

The statement of accounts prepared by the Police and Crime Commission for Thames Valley reaffirms the view that VfM is limited in its scope and relates VfM auditing to mainly financial matters, including the use of public money and financial management and health of the police authority (Patel et al., 2019). The statement captures the risk of fraud in the use of funds, account errors, pension liability and adoption of accounting standards. However, the statement does not relate to the actual services offered by police authority in the judgment of VfM arrangements. Instead, arrangements are merely evaluated on the basis of resources used and the quality of decisions made, if they are informed or not.

On the whole, the recommendations made by the VfM auditors, either for the 2000–2009 or 2010–2020 period, are predominantly based on analyses of spending and contracts undertaken. For example, in a report published by the Metropolitan Police Authority, the VfM auditor advises enhancing the quality of monitoring and control in police contracts through adequate documentation and management of spending. However, maintaining the highest level of cost savings is suggested by the auditor to preserve VfM in police contracts.

Operationally, the objectives and outcomes set by the police authority determine the use of public money for both periods (see, for example, the report by the Police & Crime Commissioner of Cambridgeshire, 2018). The primary

objectives of the police are to reduce the crime rate, create safe communities, preserve public order, and boost public confidence in policing. Police use a list of benchmarks to judge their success in meeting these objectives. This comprises the number of crimes and offences, racist incidents, victimization rate, community-related crimes and offences, youth crime, household crime, detection rates, road traffic incidents, conviction rates, and public perception of the crime rate in their local area (Vecerdea, 2013). As VfM auditing focuses on measuring the use of public resources per se combined with auditors' financial background and their lack of full understanding of the day-to-day operation of policing to meet the target set, the process of VfM auditing is not in line with the expectations of the police authority. This is confirmed in the HMICFRS (2010) inspection of 22 police authorities in England and Wales (out of the 43 aggregate number of authorities) and found that only four authorities have actually ensured that VfM is fully met. This is attributed mainly to the absence of sufficient support and incentives for the police forces. The lack of knowledge by auditors of the police authority is also featured in the survey conducted by the Institute of Public Finance and Accountancy in 2016 as the main cause of not meeting VfM expectations. Among the other key recommendations emerging from the survey are for the Audit Committee members to work with police and for the chair of the committee to work with the PCC and Chief Constable to address these knowledge gaps. Although we appreciate that receiving briefings and updates and engaging in dialog and discussion can help in narrowing the knowledge gap between the auditors and police authority, this cannot result by all means in the full understanding of the day-to-day functions of the police.

Analyzing policing contracts, either internally or externally, in terms of delivering VfM while excluding other non-financial factors that directly contribute to the daily operations of the police services results in the exclusion of crucial elements driving the performance and outcomes set for police authorities. To address this significant drawback in the current VfM audit practice in policing, there is a need to introduce a third party in the audit process with a practical experience of the day-to-day operation of policing. The third party could be a senior member of another police authority or force with no direct ties with the audited police body. The role of the third party is to work alongside the VfM auditor to provide an independent opinion of the performance of the audited police body, taking into account the unique characteristics of the police authority.

It is worth noting that HMICFRS is making efforts to provide VfM comparative data across police forces by publishing summaries of VfM profiles (e.g., HMICFRS, 2016). These profiles show if the force spends more or less compared to its peers, how the force compares to its peers in terms of funding, if the force experiences higher demands than its peers in areas such as the handling of 999 calls, emergency incidents and priority incidents, and other crimes. The reports also identify outliers across police forces in each of these areas. However, the reports do not explain why differences exist and fail to provide the factors contributing to the variability in the figures and rates attained. Although these reports possess certain merits in comparing the police forces across certain measures or areas that are relevant to VfM assessment, their usefulness would be enhanced considerably should they produce narratives on contributing factors. As asserted before, this form of narrative or analysis can be delivered through a critical review by an independent individual(s) with practical experience of day-to-day policing operations.

We summarize this section by presenting certain key findings in Table 5. The VfM parameters include economy, efficiency, and effectiveness for the police authorities. Next, we present in the table the VfM parameters included or discussed in the reports surveyed and present the frequency count for each. In terms of economy, most of the reports covered aspects of public body costing, financial planning, budgets, forecasts, and funding. Under efficiency, multiple reports discussed how the resources were used to the maximum to perform the duties. The problematic area was effectiveness, where only 17% of the reports touched that aspect, discussing plan achievement, sustainability, value for money for taxpayers, and the effectiveness of risk management.

5.2.3 | Comparison of VfM reports over time

Our review shows that the number of VfM reports has increased over time, with more reports published after 2010 compared to 2000–2009. The VfM reports also intend to include more NHS trusts in recent years. The comparison

TABLE 5 Police authorities VfM parameters reporting

VfM parameters	VfM parameter(s) included or discussed in details in the reports	Number of reports	VfM parameter(s) not included or discussed in details in the reports	Number of reports
Economy	<ul style="list-style-type: none"> Public body costing Financial planning, budget forecasts, capital expenditure, cash resources, asset valuation, number and value of contracts, pension liability, and financial sustainability Funding and deployment of resources 	<p>29 out of 30</p> <p>29 out of 30</p>	<ul style="list-style-type: none"> Methods used in the measurement of costs 	<p>All (30)</p>
Efficiency	<ul style="list-style-type: none"> Cost efficiency Efficiency use of resources 	<p>9 out of 30</p> <p>28 out of 30</p>	<ul style="list-style-type: none"> Limited information on how resources are mapped with service quality Service output assessment using VfM guidelines <p><i>Very few reports specified area of efficiency—such as operational performance, internal governance, project management</i></p>	<p>23 out of 30</p> <p>27 out of 30</p>
Effectiveness	<ul style="list-style-type: none"> Effectiveness as a means to attain outcomes and measure performance <p><i>Statements used are "achieve planned and sustainable outcomes for taxpayers," "improve effectiveness of risk management," "set performance measures"</i></p>	<p>5 out of 30</p>	<ul style="list-style-type: none"> The extent to which effectiveness is achieved based on the services offered No reference to effectiveness as a whole No mention of factors that inhibit service outcome through best use of resources, for example, financial challenges, governance, impact of Brexit 	<p>All (30)</p> <p>6 out of 30</p> <p>22 out of 30</p>

Note: The VfM reports link effectiveness to risk management and emphasize the need to incorporate internal audit recommendations and other quality measures. Although the reports surveyed covered parameters expected in VfM reports, the police authorities left several other parameters out, as evidenced in Table 5. For instance, cost measurement was notably absent in all the reports under economy. Very few police authorities mapped resources with service quality under efficiency. Similar mapping was missing under effectiveness. There was little to no mention of factors that inhibit service outcomes through the best use of resources, for example, financial challenges, governance, and the impact of Brexit.

TABLE 6 Distribution of VfM reports by public and private auditors

Year	Total number of reports	Number of public auditors	Number of private auditors	Public auditors (%)	Private auditors (%)
Panel A: NHS trusts					
2004–2009	10	4	6	40%	60%
2010–2015	5	0	5	0%	100%
2016–2019	15	3	12	20%	80%
Total	30	7	23	23.33%	76.67%
Panel B: Police authorities					
2009–2020	13	2	10	15.38%	76.92%

of the reports across time further reveals that those published after 2016 are more critical of the public organization(s) than the earlier ones. For instance, 56% of the reports received were positive in assessing the entity's ability to generate value for its stakeholders in 2004–2009 compared to only 40% of the reports in 2016–2019.

To avoid confounding the analysis, we verified whether other aspects of the reports were changing as more of them were less favorable over time. We checked the intensity of the reporting, that is, in terms of contents and analyses. We observed no significant difference in reporting intensity between the subperiods, that is, one out of two reports was very exhaustive in 2004–2009, while 47% of the reports shared similar traits in the 2016–2019 subperiod. We, therefore, observe that the disclosure of more negative reports was not driven by changes in the reporting process but rather an assessment of the value generation ability of the entities audited.

Nonetheless, we augmented our comparison over time with additional variables. We considered both the number and type of recommendations these reports produce. We observed a slight decrease in the percentage of high priority recommendations made, that is, from 30% in 2004–2009 to 21% in the 2016–2019 subperiod. This was accompanied by a corresponding increase in the percentage of low priority recommendations, that is, from 50% to 64%. As such, the fact that more reports turn less favorable over time did not coincide with an increase in the number of high-priority recommendations made.

We surveyed the reports to collect more information on the auditors, and we reproduce our findings in the Table 6. There were no data on the composition of the audit teams. Although we collected the data on the public status of the auditor and presented them in the revised manuscript, we could not extend the statistical analysis to map the other characteristics we report in the paper because most of them are qualitative, and the statistical power of the tests is weak given missing data and the small sample size. However, we do not believe that our research is weakened by not studying the effect of the auditor on the reporting process for the following reasons. First, while there is no suggestion that public auditors' role is diminishing in VfM audits, the period analyses show (1) more audits performed by private auditors and (2) that the percentage of audits performed by private auditors is increasing over time. Earlier, we showed that the number of such audits is increasing. Given tight public finances, we find no reason to believe that the burden of VfM audits will increase on public auditors. Instead, the trend suggests that such audits will overwhelmingly be undertaken by hiring private auditors, as there is no mandate to perform such audits. Second, these audits are performed to improve self-efficiency. The onus lies with the entity, with the government and local authorities inviting public service entities to perform such an exercise.

6 | CONCLUSION AND POLICY RECOMMENDATIONS

Using VfM reports data from the NHS and police authorities, the study investigated to what extent these reports reflect the actual state-of-affairs of public bodies and the three main areas of VfM assessment (economy, efficiency,

and effectiveness). The critical review of the NHS VfM reports reveals that all of them refer to the element of economy but with a clear disparity in the level of details given on this area of VfM assessment. The reports also refer to cost(s) measurement methods with certain reports including further information on savings, financial sustainability, forecasts, and planning. However, the reports do not show how the costs are aligned with the services offered by the NHS trusts and how the economy is actually achieved while using the public money. The same applies to efficiency, as reports refer to this element using different words and statements while not showing how NHS trusts have attained efficiency in the use of public resources. The reporting on effectiveness is to a large extent limited, with less information provided in this area, although there is evident variation in terms of showing how the NHS trusts achieve effectiveness, with some trusts giving reasonable details on how the targets are met.

We also find that only a limited number of VfM reports specify the actions taken by the NHS trusts to address the element of effectiveness. In this context, some of the outcomes related to NHS services are captured in few reports with results compared to the national standards. However, the majority of reports fail to do so. Although NAO's recent reports show an increase in the qualified opinion provided by the auditors on the work carried out by NHS, their main focus still remains on giving views on meeting the financial targets rather than also commenting on the social performance of the NHS trusts. Complementing this assertion, the statements made in the VfM reports indicate that it is not the auditor's responsibility to ensure that the mechanisms adopted by NHS are operating efficiently. On the whole, few suggestions are given on addressing the social (nonfinancial) factors and meeting the NHS performance targets.

Recognizing the shortcomings in the current VfM assessment, the NAO (2020) report recommends supplementing the assessment with the results presented in the CQC reports when evaluating NHS performance. Our comparison of the VfM and CQC reports shows that the latter provides a critical evaluation of the work carried in the NHS and points to several areas requiring attention in the NHS trusts, such as patients risk assessment, quality of surgeries, and waiting time. These are not captured in the published VfM reports. Therefore, it is appropriate to incorporate these nonfinancial outcomes of the NHS into the VfM assessment to better evaluate the use of public money in the NHS.

The results for the police authorities show that almost all VfM reports refer to the element of economy with the main focus on the funding and deployment of resources. The reports, however, do not show how the costs are aligned with the quality of the services offered by the police authorities. Similarly, the information provided on efficiency is limited, with no clear specification on how the service output is actually judged or on how the efficiency in the use of resources is attained. The third area of VfM assessment, effectiveness, is the least in terms of information provided in the reports. Some of the reports do not even include any direct or relevant information on the area. Reports referring to effectiveness also do not explain how this has been achieved based on the police authorities' service outcomes.

In line with our findings, the NAO report (2020) points to the lack of understanding by VfM auditors for the services offered by the police authorities, and their financial sustainability is perceived as not entirely evaluated. Nevertheless, the VfM reports are found to be documenting well on the police authorities' risk assessment and issues related to their internal control. These reports consider financial resilience the most crucial factor determining how effective the police forces use public resources. In addition, examples of good practices are identified in the VfM reporting, including linking VfM to police authorities' key objectives and making appropriate recommendations on issues such as governance, sustainability, and digitalization.

On the whole, the VfM reports reviewed do not contain specific information on the police authorities' key performance indicators, such as level of crime rate, community safety, and offending rates. These nonfinancial measures are deemed essential if we have to properly assess the quality of policing. Alongside this is to review police performance according to the police forces' operational plans and strategic objectives. The failure of the VfM audit to capture these elements renders the VfM exercise of limited benefit to the police authorities. Therefore, it is imperative to align the VfM audit and the use of public resources with the objectives and outcomes set for the police authorities. The absence of a clear understanding of the day-to-day operations of policing and how their actual targets are met makes the VfM audit not in line with the expectations of the police forces.

It is worth noting that the HMICFRS makes efforts to provide comparative VfM data across police authorities on different areas of police performance and identifies outliers across these areas. However, these reports do not provide

explanations on why these outliers exist. To address this shortcoming and those found in the VfM audit, we propose introducing a third party into the VfM audit process. The third party should have practical experience in the day-to-day operations of policing or a hospital, such as being a senior member of another police authority or another hospital. The role of this third party is to give an independent opinion on the performance of the audited public body.

The study cross-time analyses reveal that the number of VfM reports increased after 2010 compared to 2000–2009. The VfM reports also incline to entail more NHS trust in recent years. The review of the VfM reports over time further reveals that those published after 2016 are more critical of the public organization(s) than the earlier reports. This could be attributed to two main factors: (1) the introduction of stringent rules that make public bodies subject to more accountability—this is highlighted, for instance, in the policing vision 2026; and (2) the cut in public bodies funding, particularly in recent years. Building on what is presented in this study, we recommend that future research further explore the factors leading to an increase in VfM reporting and to what extent recent events such as Brexit and the pandemic have influenced the approach taken by the UK public bodies to fulfil their obligations in meeting VfM expectations.

Finally, we consider the results presented in this study to directly benefit public bodies, as we outline how VfM audits can be enhanced by encapsulating the nonfinancial elements related to the delivery of these bodies' services. This will also inform the government and NAO on how to align the VfM exercise with the strategic objectives and outcomes set for public organizations. In doing so, public confidence in the VfM audit will be boosted.

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NOTES

¹From January 1, 2004, 14 NHS Boards were created in Scotland, since the Labor/Liberal Democrat coalition culminated in the abolition of NHS Trusts (Robson, 2011).

²The HEAT targets that were grouped into the following priorities have now been replaced by LDP standards: Improve the Health of the people of Scotland—enhancing life expectancy and healthy life prospect; Improve efficiency and governance—continually improve the efficiency and effectiveness of the NHS; Improve access to services—recognizing patient's need for quicker and easier use of NHS services; and *Provide appropriate treatment to individuals—ensure patients receive high quality services that meet their needs* (Robson, 2011, p. 9).

³In the years between 1997 and 1999, the UK Labor government signaled the replacement of the internal market by a partnership based system (Robson, 2011).

⁴The NAO (2004) report states that the VfM indicators used are not aligned with the Best Value element of the policy plan and recommends the introduction of indicators that are specifically designed for long-term planning of policing.

⁵HMICFRS (2009) proposes the adoption of the “Informed Choice Model” to capture the collaborative elements associated with the various arrangements set to effectively deliver police services. The model allows to assess the benefits and costs of the arrangements and to learn lessons across the police forces.

⁶HMIC (2009, p. 6) identifies five approaches to collaborate between police forces and authorities: (1) ad hoc and informal; (2) service legal agreements; (3) joint initiatives; (4) lead authority; and (5) joint venture.

⁷In the NAO (2007) report, a statement is made that the recommendations generated from the best value (or VfM) assessment should be fully costed and potential savings are specified and accounted for.

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