

MEETING: 6 FEBRUARY 2020

REPORT BY: SECRETARY TO THE COMMISSION

ANNUAL ASSURANCE AND RISKS REPORT

Purpose

1. This paper introduces the Annual Assurance and Risks Report by the Controller of Audit.

Background

2. Local authority external auditors are appointed by the Commission under the Local Government (Scotland) Act 1973. The [Code of Audit Practice](#), approved by the Accounts Commission and the Auditor General for Scotland, requires auditors at the conclusion of the annual audit to issue a report summarising the significant matters arising from the year's audit. In local government, these reports are addressed to elected members and the Controller of Audit, and are submitted by 30 September each year. The reports are public and are available on the websites of the audited bodies and [Audit Scotland](#).

Controller of Audit review of annual audit reports

3. The Controller of Audit reviews the annual audit reports to:
 - Identify high-level issues and themes for inclusion in the Commission's annual local government overview reports.
 - Identify specific issues that he may wish to report to the Commission under his statutory reporting powers. In short, these powers are reporting about any matters arising from the accounts of local authorities, or the auditing of those accounts, and in certain specific situations involving illegality or loss.
4. In practice, significant findings from the audits will be known to auditors in advance of the annual audit reports, and reported to the Commission by the Controller of Audit via the Financial Audit and Assurance Committee. Statute allows the Controller of Audit to report formally to the Commission - or the Commission can direct the Controller to report - at any point throughout the audit year.
5. The Controller reports to the Commission early in each calendar year a summary of his review through his Annual Assurance and Risks Report (AARR).
6. In 2018/19, annual audit reports were published for:
 - 32 councils (including comment, if applicable, on 201 registered charities within 66 sets of charity accounts)
 - 30 integration joint boards
 - 11 pension funds
 - 32 other small boards and partnerships.
7. These have all been reviewed as part of this exercise.

Integrated audit

8. The Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. An important principle underpinning the framework is an integrated approach to auditing and reporting Best Value, in which Best Value is assessed over a five year audit appointment as part of the annual audit. In addition, a Best Value Assurance Report is published by the Commission for each council at least once in this five year period.
9. The Controller of Audit reports on the progress made by council against their Best Value obligations – including BVAR findings and recommendations as appropriate - through his AARR.

Strategic audit priorities

10. In its [Strategy and annual action plan - 2019-24](#), the Commission sets out an overall aim of holding councils to account for their pace, depth and continuity of improvement facilitated by effective governance. The Commission set out its expectation that councils show how they are making the best use of their resources and improving their performance and highlighted that by applying rigorous self-evaluation, councils can focus on where improvement is most needed to help them deliver on their priorities. Within this, the Commission also sets out five strategic audit priorities (SAPs). These are issues that the Commission considers particularly important to report through audit work. The Commission states that it will use its approach to auditing Best Value to assess how councils are progressing in relation to the following SAPs:
 - Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning.
 - The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners.
 - Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
 - Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
 - Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.
11. The SAPs are considered by all auditors involved in local government work, both locally and nationally. They are considered as an integrated part of the risk assessment, five-year Best Value and annual planning processes. Annual audit reports provide an assessment of the council's performance against the SAPs across the five year audit appointments. When these are covered will depend on the risk assessments carried out by local auditors as part of their annual planning processes. Not all SAPs will be reported at every council each year.
12. The Controller of Audit uses his AARR to provide the Commission with assurance over the progress made by councils against the Commission's SAPs.

Annual Assurance and Risks Report

13. The AARR helps the Commission to:
 - Consider the messages it wishes to convey in its overview reports. The draft local government overview report will be considered by the Commission at its next

meeting on 12 March.

- Consider progress being made against its SAPs, in turn allowing it to consider if it wishes to revise or modify these SAPs. The Commission will consider its updated strategy at its March meeting. The Commission's updated strategy – including SAPs – are used as the basis for audit planning guidance for next year's audit, which is developed and published in the Autumn.
- Consider any implications for its wider work programme. The Commission is considering at today's meeting the outputs from its ongoing consultation with stakeholders on the refreshed work programme. It will then consider a draft work programme at its March meeting.

Controller of Audit's conclusions

14. The Controller reports that:

- The pace and depth of continuous improvement in the seven councils where a BVAR was published in 2019 and January 2020 is mixed.
- Overall, he is assured that audit work is providing good coverage of the Commission's SAPs and that the integrated approach to auditing BV in councils is effective. The BVARs are having an impact, with all councils implementing improvements in response to the reports.
- He is confident that areas of risk are well understood and there are plans in place to cover these areas through our audit work.
- He is satisfied the audit work this year does not highlight any significant areas of the SAPs that would require to be changed.

Conclusion

15. The Commission is asked to:

- a) Consider and note the attached Annual Assurance and Risks Report, in particular the Controller's conclusions set out in paragraph 12 above.
- b) Consider any implications for its:
 - i. overview reporting
 - ii. SAPs and strategy
 - iii. work programme.

Paul Reilly
Secretary to the Commission
27 January 2020