

**MEETING: 7 MAY 2020**

**REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE**

**UPDATE ON 5-YEAR ROLLING WORK PROGRAMME**

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## **Purpose**

1. This paper provides the Accounts Commission with an update on the joint Auditor General for Scotland (AGS) and Accounts Commission 5-year rolling work programme in light of ongoing Covid-19 pandemic challenges. The paper also proposes an approach to reviewing and where necessary refreshing the work programme in response to the current situation.

## **Background**

2. The Commission will be aware that the Covid-19 Coronavirus pandemic continues to have a significant impact on society, the economy and individual citizens. This impact extends to Audit Scotland, both in the work that we do and for our workforce. As it became clear that the situation was escalating Audit Scotland activated its business continuity arrangements, including the establishment of an Incident Management Team (IMT) overseeing the organisation's response to the crisis. The IMT comprises Audit Scotland Management Team supplemented by business-critical managers from across the organisation. While much of the focus of the IMT is on operational Audit Scotland matters it also receives weekly updates on issues affecting audits and audited bodies, including the audit work covered in this paper.
3. As the situation has evolved, we have sought to keep both the AGS and Accounts Commission informed of developments. Individual audit teams have also been liaising with audit sponsors and key stakeholders (including audited bodies) to ensure all parties are aware of the status of our work. The AGS briefed the parliament's Public Audit and Post-Legislative Scrutiny Committee (PAPLS) on the impact of the crisis for the AGS aspects of the work programme on 19 March. The Commission receives the regular Audit Scotland IMT updates at the same time as Audit Scotland Staff. It also received an update on the work programme from the Controller of Audit (CoA) at its informal meeting in April.
4. Public bodies will continue to experience considerable pressure and challenges over the coming months. It is important that a balance is struck between affording bodies the space to cope with these important issues while continuing to provide appropriate scrutiny and oversight through our work.

## **Commission work programme and strategy**

5. Covid-19 is likely to have wide ranging implications for the priorities and purpose of the Accounts Commission. As the various scenarios and public service responses to the global pandemic unfold the Commission will wish to consider the impact of these on its strategy and future priorities. The future work programme will need to reflect the Commission's developing thinking in this area.
6. The Commission formally approved the annual refresh of the joint 5-year rolling work programme at its meeting on 3 March 2020. The work programme and the

Commission's Strategy and engagement plan were both due to be published and shared with key stakeholders on 26 March.

7. Due to the rapid escalation of the Covid-19 coronavirus pandemic, and the impact of measures taken for public bodies and communities, it was agreed to postpone the launch of the programme and Commission strategy and engagement plan until a more appropriate time. At its informal meeting on 9 April Commission members agreed to suspend publication of the Commission strategy (incorporating the work programme) and annual report - due to be published on 26 March and 29 May respectively – until further notice.
8. At that same meeting the Commission agreed to take the time to review its work programme in the context of the reshaping of audit risks that can be expected as a consequence of Covid-19. In particular, the Commission indicated that consideration should be given to future work on emergency planning, response and resilience arrangements in local government as part of the reshaping of its work programme.
9. Later in this paper we set out our current thinking on a possible timetable for the Commission and the AGS to consider the implications of Covid-19 on the joint work programme.

### **The impact of Covid-19 on the annual audit of local government bodies**

10. The requirements and timescales for the content, production, public inspection and audit of local authority accounts in Scotland are outlined in the Local Authority Accounts (Scotland) Regulations 2014. The Regulations require unaudited accounts by 30 June and audited accounts to be approved by 30 September.
11. The Scottish Government contacted local authority Directors of Finance on 14 April requesting comments and proposals in relation to the 2019/20 annual accounts. At the outset of their request the Scottish Government made clear they will not consider any proposals which would mean the annual accounts would not be able to satisfy the requirements for the financial statements to be true and fair.
12. On timescales, the Scottish Government considers that provisions made in the Coronavirus (Scotland) Act 2020 are sufficient to allow each local authority to determine its own revised timetable for the annual accounts. However, they expect each local authority to work with their auditors in agreeing individually determined timelines, in recognition there is also an impact on auditors. The Scottish Government is seeking agreement from local authorities that any revised timeline will result in audited accounts no later than 30 November, although recognising that this date could be revisited as events unfold.
13. Arrangements regarding the right of interested persons to inspect documents relating to the accounts will also require to be revised using the powers in the Coronavirus (Scotland) Act 2020. The proposed backstop date of 30 November is in line with the extension granted to local authorities in England, although that represents an extension of two months for Scotland rather than the four months for England (as the deadline for audited accounts in England was previously 31 July).
14. The Director of Audit Services attended a meeting of the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Directors of Finance Branch Executive on 17 April. From that meeting, and from intelligence from auditors, most councils are currently intending to try to meet existing timetables but are unsure how achievable this might be in practice, so the option of an extension is generally welcome.

15. The content and format of local government accounts across the UK is determined in large part by the Code of Practice on Local Authority Accounting in the UK which applies, interprets and adapts International Financial Reporting Standards for local government bodies. The governance arrangements for the Code are complex – approval by CIPFA/LASAAC (which is a UK body), approval by LASAAC for Scotland (Local Authority (Scotland) Accounts Advisory Committee), and ultimate approval by FRAB (the Financial Reporting Advisory Board).
16. CIPFA/LASAAC has decided that the Code of Practice on Local Authority Accounting in the UK for 2019/20 will apply in full. CIPFA had made some radical proposals to simplify and streamline Code requirements that included omission of comparative figures, the cash flow statement and a number of disclosures from the financial statements. CIPFA/LASAAC concluded, as a board including local government practitioners, that it could not support the proposals as they did not meet legal and professional requirements. No strong support was evident from local government practitioners and it was acknowledged that practitioners had a mixed view of the proposals. CIPFA/LASAAC has agreed, however, that the planned implementation of IFRS 16 (leases) in the 2020/21 financial statements will be delayed by a year until 2021/22. This follows a similar decision for health and central government bodies. IFRS 16 is likely to be complex to implement and involve a considerable amount of preparatory work. Delay until 2021/22 will alleviate pressure this year as preparations to implement can be postponed.
17. Some elements of Scottish local government financial statements are required by the Scottish Government rather than the Code – the 2014 Regulations require a management commentary, a statement of responsibilities, an annual governance statement, a remuneration report, a housing revenue account, a non-domestic rate account and a council tax account. In addition to consulting on timescales, the Scottish Government has also stated they will consider any proposals put forward by local authorities or auditors to reduce the reporting burden for these reports.
18. The Scottish Government has offered Audit Scotland and the Accounts Commission the same opportunity to comment on their proposals as offered to local authorities. A verbal update on the latest position will be provided at the meeting on 7 May.

### **The impact of Covid-19 on the current Local Government Overview and Performance Audit reporting programme**

19. Covid-19 has affected our performance audit programme and is likely to impact on this year's local government overview work. Those audits that were sufficiently close to completion have, where possible, been completed and reports published. This includes the joint AGS/Commission *Affordable housing* performance audit which was published online with no promotion on 9 April. The AGS published a statutory report on the City of Glasgow College on the 24 April and, at the time of writing, is still planning to publish a performance audit report on *Highlands and Islands Enterprise: Cairngorm funicular* during the crisis.
20. The majority of audits have, however, been paused and where practicable placed into 'warm storage' until such time as the audit can recommence. For some audits taking paused audit work through to publication will not be possible without a significant amount of additional work to ensure the impact of Covid-19 is reflected in the audit report or where audit evidence and data (ie financial or performance) has been superseded or is out-dated and requires fresh analysis. This means that some of our ongoing audits may end up not being published in their current form. They may, for example, instead appear in a different format or the audit work undertaken to date will be used to inform future programme development activity.

21. We will continue to discuss with the Secretary to the Commission and the Clerking team at the Parliament's Public Audit and Post-legislative Scrutiny Committee (PAPLS) the implications of changes to the work programme for the respective meeting agendas and workplans.
22. Table 1 provides a high-level summary of the current status of overview and performance audit reports due to be published in 2020/21:

**Table 1: Impact on Accounts Commission overview reports and performance audits (including joint AGS audits)**

<b>Audit</b>	<b>Original planned publication</b>	<b>Update</b>
<b><i>Affordable housing</i></b>	9 April 2020	This report was published online only on the Audit Scotland website on 9 April. No promotional activity was undertaken. No date has yet been set for the Parliaments Public Audit and Post-legislative Scrutiny (PAPLS) committee to be briefed on the report and whether it wishes take evidence on its findings.
<b><i>Local Government Overview: challenges and performance</i></b>	16 April 2020	This report was not published on 16 April. An options paper has been prepared for discussion with the audit sponsors. The paper identifies risks, issues and benefits for several options ranging from delaying publication of the report (as-was), updating to reflect Covid-19 considerations, making use of scaled back outputs instead of the full report, undertaking additional work and publishing later in 2020, or cancelling the 2020 report altogether.
<b><i>Improving outcomes for young people through school education</i></b>	9 June 2020	<p>Given current pressures on education services (school closures, essential worker childcare provisions, meals for vulnerable children, exam alternatives etc) the Commission agreed at its informal meeting on 9 April to postpone publication of the audit. Publishing a report such as this at a time the service is under such acute pressure would not be appropriate.</p> <p>The audit team is working through options for when publication could take place and in what format ie to what extent is the response to and impact of Covid-19 reflected in any updated audit report. These options will be discussed with the AGS and audit sponsors and reported back to the Commission.</p>
<b><i>Digital progress in local government</i></b>	8 October 2020	<p>The audit team finished its onsite audit work at fieldwork councils in March. Meetings scheduled with national stakeholders have been impacted by current events.</p> <p>The report's emerging messages were due to be discussed with the Commission in May. Depending on how long disruption continues there may be issues in discussing key messages and clearing/factual accuracy checking of the final report towards the end of the Summer.</p> <p>The audit team is now also looking at how councils have used digital technology to help manage the current situation and</p>

Audit	Original planned publication	Update
		<p>continue delivering services. The team is considering how best to capture this in the audit report or in an alternative output.</p> <p>The audit team is currently preparing an options paper for discussion with audit sponsors on how best to conclude this audit and communicate the findings to local government stakeholders.</p>
<b><i>Local government: financial overview</i></b>	November/ December 2020	<p>Scoping is currently commencing for the 2020 financial overview. There are risks to the delivery of this audit should local government stakeholders be unavailable, or key financial information (Annual Audit Reports, financial returns etc) be delayed or restricted. Scoping work is also identifying data that is at risk from absence or delay in Accounts, Annual Audit Reports and Minimum Data Sets for local auditors.</p> <p>An options paper for taking this work forward has been prepared for further discussion with Commission sponsors.</p>
<b><i>Waste management</i></b>	Spring 2021	<p>Early desk-based scoping work is being undertaken. As much progress as possible will be made under the circumstances however this may delay the start of the audit and therefore our aim to complete the audit by March 2021.</p>
<b><i>Outcomes for children with additional support needs and Social care sustainability</i></b>	Summer 2021	<p>It remains our intention to begin scoping and planning these audits in Summer 2020 however there may be delays to the overall audit timescales due to pressure on audited bodies and stakeholders and the potential impact of Covid-19 on our resource plans. Given the focus and subject matter of these audits, our auditors will need to exercise particular care and sensitivity about who we contact and when, due to the nature of the organisations we would engage with and their priority of dealing with the pandemic and the issues arising from it.</p>

## The impact of Covid-19 on the programme of Best Value Assurance reports due to be published in 2020

23. The impact on Best Value Assurance Reporting varies across audits, with some audits continuing albeit to amended timescales. Table 2 provides a high-level summary of the status of Best Value Assurance reports due to be published in 2020.

**Table 2: Impact on Best Value Assurance Reports**

<b>Audit</b>	<b>Original planned publication</b>	<b>Update</b>
<b><i>Argyll and Bute</i></b>	23 April 2020	The draft BVAR is being considered at this meeting of the Commission.
<b><i>Moray</i></b>	26 May 2020	The draft audit report is in clearance with the Council. However, at the time of writing this update the Council has yet to confirm a date by which they can consider the draft. This may impact on the timescale for the Commission considering the report and its findings, and for publication.
<b><i>North Ayrshire</i></b>	2 July 2020	The audit is progressing to its original timescale.  The timescales and resources for this audit have always been tight therefore any further changes or issues for the team would require a rethink of overall audit timescales including Commission reporting date. Like other BVARs, the audit timescales are dependent on Commission meetings taking place in May and June.
<b><i>Edinburgh</i></b>	27 August 2020	The audit is progressing but is revisiting audit timescales in light of both the impact of current events for the Council but also internally due to the impact of Covid-19 for the audit team (childcare and other commitments).  The audit team met with the Council Chief Executive and his corporate management team on 22 April to discuss the audit's key findings.
<b><i>Dundee City</i></b>	24 September 2020	The Emerging Messages arising from this audit were discussed with the Controller of Audit at the start of March and with the Council on 9 April. The audit team has agreed next steps for the audit with the Council, including those areas where additional audit work is required to support the final audit judgements in the BVAR. The audit team and the Council are liaising to agree the approach and timescale for the remaining work (and publication of the audit report) to ensure it does not in any way impinge upon the Council's ability to deal with the ongoing impact of Covid-19.

Audit	Original planned publication	Update
<b>Aberdeenshire</b>	22 October 2020	<p>This audit is progressing largely to the original audit plan. Interviews were concluded prior to the lockdown with emerging messages discussed with the Controller of Audit on 29 April.</p> <p>The Council Chief Executive is keen for the audit to progress as planned and has committed to working with the team to ensure this happens.</p>
<b>Falkirk</b>	26 November 2020	<p>Limited scoping work had been undertaken for this audit at the time of the Covid-19 lockdown. Given the pressure on the Council (and internally our audit team), and the minimal work undertaken it was agreed to postpone the audit until later in 2020. The timing of the audit will depend on the overall scheduling of the programme and Accounts Commission business, the capacity of the council and the availability of Audit Scotland and EY resources. It is likely that the delay would mean publication of the audit report in 2021.</p>

### The impact of Covid-19 on briefings and wider programme development activity

24. Where resources have become available due to the putting on hold of some pieces of audit work colleagues are focusing on programme development activity. This includes considering the impact of Covid-19 for existing audits in the work programme and across policy areas more generally. Where possible progress is being made with 'other' outputs however work on these is also being compromised due to current events. For the 'other' outputs due to be prepared for the Commission in the near future the current impact is as follows:

- **Climate change pre-audit briefing:** this work has not yet started. Resources have been identified for this work. However, this and all other resource allocation may be revisited in light of any decisions made to prioritise resources to the completion of paused or delayed audits. The UN Climate Conference scheduled for later this year has been postponed until 2021 which will create space and capacity for us to consider our approach to this work with less time criticality.
- **Teacher workforce planning briefing:** work has not yet started on this briefing paper as it was always planned to take place after the publication of the school education performance audit report. That report was originally due to be published in June 2020 but is now on hold. The work will be largely desk based, but with some interviews. The JELL Cluster is currently considering options to progress this work during Summer 2020.
- **Housing benefits (HB) performance audit:** the thematic study on **Overpayments** was considered by the Commission on 12 March. It was due to publish in April, but publication has been put on hold because of the impact of Covid-19 on the availability and likely attention of the target audience of housing benefit managers in councils. Scoping of the next thematic study (**Resourcing**) was due to start in April. This work will now be delayed as council staff will be unavailable. The **East Dunbartonshire** housing benefit performance audit is

underway. The report will be finalised, and the audit team will discuss with the council whether to issue for factual accuracy or to delay publication. Audit Scotland has informed the Department of Work and Pensions (DWP) of the impact of Covid-19 on current HB performance audit work. We will need to reassess the current risk assessment process as the data will likely show performance declines for all councils. Housing benefit auditors will gather intelligence and data on the impact of the current situation on council performance.

- **National Scrutiny Plan update:** the interim update to the National Scrutiny Plan was due to be published on 3 April. This has now been paused. Discussion with partner scrutiny bodies will continue to ensure evolving work programmes and scrutiny activity is coordinated where possible.
- **Equal pay in councils impact report:** this report was due to be considered by the Accounts Commission's Performance Audit Committee at its meeting in April which did not take place because of the Covid-19 restrictions. It will instead now be considered at the May Commission meeting.
- **National Fraud Initiative (NFI) and annual fraud update:** these Audit Scotland reports are due to publish in June. As they are desk-based exercises, work is continuing. For the NFI report the team is awaiting results of analysis from the Cabinet Office before drafting the short report. For the annual fraud report, the team will analyse auditors' returns and draft a short report.

#### **Options for considering the impact of Covid-19 on the rolling work programme**

25. Although the joint refreshed work programme (see Appendix 1) was only agreed by the Commission and AGS in March we have seen rapidly changing and unprecedented new challenges created because of the global coronavirus pandemic. For that reason, it seems sensible and appropriate for the Commission and AGS to pause, take stock and reflect on whether the recently refreshed work programme adequately reflects the risks and challenges created by the new post-Covid-19 world.
26. Whilst the Commission and AGS will want to be seen to be responding quickly to the impact of Covid-19 on their joint work programme it will be important to allow sufficient time to properly reflect on the complex issues the global pandemic raises, the full implications of which may not be clear for some time.
27. Bearing these factors in mind, Audit Scotland will continue to monitor and engage with the Commission and AGS over the coming months on how central and local government bodies are responding to the challenges posed by the global pandemic and what this means for current audits and the overall work programme.
28. Subject to further discussion with the Chair, Deputy Chair and AGS, we propose that Audit Scotland aims to bring options for refreshing the work programme in light of the impact of Covid-19 for discussion with the Commission in September 2020. This will allow the picture to become clearer about the UK and Scottish Government's plans for managing a return to normal ways of working and will give us time to consider the impact on Covid-19 on our future work. The timing coincides with the Commission mid-year Strategy review session and allows scope for the incoming AGS to offer his views on the shape and content of AGS and joint performance audit work.
29. This proposed timetable should also allow Audit Scotland to consider the impact of other significant decisions that the Commission is making on the overall shape and timing of its wider work programme, in particular its BVAR work. The Commission will be invited at today's meeting to consider a proposal to extend the current audit appointments by 12

months. This would mean a continuation of current audit appointments and most likely an extension of the current Best Value Assurance Reporting cycle into a sixth year (2022). Future development of auditing Best Value in councils and IJBs would also be impacted. All these issues will need to be reflected in any refreshed work programme.

30. This indicative timetable will need to be kept under review as circumstances change and hopefully become clearer in the coming weeks and months. A rushed or ill-thought through review or refresh of the work programme would provide limited value and would carry risks for the Commission, AGS and Audit Scotland.
31. Between now and September I will update the Commission on progress with delivery of the work programme and the evolving thinking on the timetable and approach to the work programme refresh at future Commission meetings. Colleagues and I will also continue to liaise with the Chair, Deputy Chair, Secretary and audit sponsors throughout this period.

## **Conclusion**

32. The Commission is asked to:

- a) Note the updates on the impact of Covid-19 for the work programme and the issues raised within this report
- b) Note the proposed approach to reviewing the rolling work programme subject to further discussion with the Chair and Deputy Chair and Auditor General for Scotland.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**27 April 2020**

## Appendix 1

### Joint Auditor General for Scotland and Accounts Commission Rolling 5-year work programme

2020/21 to 2024/25

AS APPROVED MARCH 2020

AGS – Auditor General for Scotland

AC – Accounts Commission

Joint – Auditor General and Accounts Commission

	2020/2021	2021/2022	2022 to 2025 longer-term work programme areas of audit interest
<b>Overview reporting</b>	<ul style="list-style-type: none"> <li>NHS in Scotland (AGS)</li> <li>Scotland's Colleges (AGS)</li> <li>Local government: challenges and performance (AC)</li> <li>Local government: financial overview (AC)</li> </ul>	<ul style="list-style-type: none"> <li>NHS in Scotland (AGS)</li> <li>Local government: challenges and performance (AC)</li> <li>Local government: financial overview (AC)</li> </ul>	<ul style="list-style-type: none"> <li>NHS in Scotland (AGS)</li> <li>Scotland's Colleges (AGS)</li> <li>Local government: challenges and performance (AC)</li> <li>Local government: financial overview (AC)</li> </ul>
<b>Audits of Best Value</b>	<ul style="list-style-type: none"> <li>7 BVARs (AC) <ul style="list-style-type: none"> <li>Aberdeen shire</li> <li>Argyll and Bute</li> <li>City of Edinburgh</li> <li>Dundee City</li> <li>Falkirk</li> <li>Moray</li> <li>North Ayrshire</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>6 BVARs (AC) <ul style="list-style-type: none"> <li>Aberdeen City</li> <li>Angus</li> <li>Comhairle nan Eilean Siar</li> <li>East Dunbartonshire</li> <li>Shetland</li> <li>South Ayrshire</li> </ul> </li> </ul>	<p>The Accounts Commission is considering its future approach to auditing Best Value in councils for the five period from 2022 onwards</p>

	2020/2021	2021/2022	2022 to 2025 longer-term work programme areas of audit interest
<b>Performance audits</b>	<ul style="list-style-type: none"> <li>Highlands and Islands Enterprise: Cairngorm Funicular (AGS)</li> <li>Skills – planning and investment (AGS)</li> <li>Social Security (AGS)</li> <li>Affordable housing (Joint)</li> <li>Educational outcomes (Joint)</li> <li>Waste management (Joint)</li> <li>Digital progress in local government (AC)</li> </ul>	<ul style="list-style-type: none"> <li>Social Security (AGS)</li> <li>Digital in health (Joint)</li> <li>Early learning and childcare (Joint)</li> <li>Fair access to higher education (Joint)</li> <li>Implementation of Justice Strategy (Joint)</li> <li>Outcomes for children with additional support needs (Joint)</li> </ul>	<p><b>Health, Care and Communities</b></p> <ul style="list-style-type: none"> <li>Disability (Joint)</li> <li>Drug and alcohol services (Joint)</li> <li>Public health arrangements (Joint)</li> <li>Health and social care 3 (Joint)</li> <li>Housing for an older population (Joint)</li> <li>Mental health: older people or learning disability (Joint)</li> <li>Progress in addressing child poverty (Joint)</li> <li>Community empowerment (AC)</li> </ul> <p><b>Justice, Education and Lifelong Learning</b></p> <ul style="list-style-type: none"> <li>Digital services: justice (AGS)</li> <li>Digital: progress against the Digital Strategy (AGS)</li> <li>Early learning and childcare (Joint)</li> <li>Improving outcomes for looked after children and young people (Joint)</li> <li>School education: follow up audit (Joint)</li> </ul> <p><b>Public finances, investment and economic impact</b></p> <ul style="list-style-type: none"> <li>Climate change plan (AGS)</li> <li>Public energy company (AGS)</li> <li>Social Security (AGS)</li> <li>Support to rail services (AGS)</li> <li>Supporting economic growth: Enterprise and Skills Review (AGS)</li> <li>Scottish Investment Bank (AGS)</li> <li>Planning for economic growth post-EU withdrawal (Joint)</li> <li>Public finances and economy (AGS or Joint)</li> <li>Strategic capital investment (AGS or Joint)</li> <li>Scotland's City Region and Growth Deals 2 (Joint)</li> </ul>
	<ul style="list-style-type: none"> <li>Social Care Sustainability (Joint)</li> </ul>		

	2020/2021	2021/2022	2022 to 2025 longer-term work programme areas of audit interest
<b>How councils work</b>	<p>The Accounts Commission will in 2020 consider its approach to future How Councils Work series reporting.</p> <p>Potential topics include:</p> <ul style="list-style-type: none"> <li>• Emergency and resilience planning</li> <li>• Financial planning and reporting</li> <li>• Public performance reporting (PPR)</li> <li>• Service reviews</li> <li>• Workforce planning</li> </ul>		
<b>Impact reporting</b>	<p>We prepare Impact Reports around 18 months after the publication of a performance audit report. These cover the response to the original audit, and how conclusions and recommendations were acted upon by audited bodies and others, such as the Parliament</p>		
	<ul style="list-style-type: none"> <li>• Scottish Fire and Rescue Service: an update (AGS)</li> <li>• Children and young people's mental health (Joint)</li> <li>• Council's use of arm's-length organisations (AC)</li> <li>• Equal Pay in Scottish Councils (AC)</li> </ul>	<p>We will prepare impact reports (where appropriate) for audits published in 2020/2021 onwards</p>	