

MEETING: 18 JUNE 2020

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

WORK PROGRAMME UPDATE

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.

Background

2. The Commission agreed at its meeting on 7 May to receive regular updates on delivery of the rolling 5-year work programme, and any other audit related issues arising as a result of the Covid-19 Coronavirus pandemic. This paper provides an update on Accounts Commission and joint audits, including the annual financial audit of local government bodies. The Director of Audit Services and I will provide a verbal update on any other matters arising not covered within this paper and will be happy to take questions from members in advance of and during the meeting.
3. The pandemic continues to have a significant impact for society, public bodies and for Audit Scotland's work and workforce. The Commission and Auditor General have agreed a broad timeline for an initial refresh of the work programme, with a report setting out initial proposals to be considered by the Commission in September. In the meantime, colleagues and I will continue to liaise with the Chair, Secretary, audited bodies, Parliament and other stakeholders to ensure the implications of Covid-19 on the work programme are carefully considered.

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

4. 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.
5. 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 relevant regulatory authorities have already decided that the Code of Practice on Local Authority Accounting in the UK for 2019/20 will apply in full.
6. The Scottish Government contacted local authorities, COSLA, the Accounts Commission and Audit Scotland requesting comments and proposals in relation to the 2019/20 annual accounts. Our response to this consultation has already been circulated to Commission members. The process resulted in the issue of Local Government Finance [Circular 10/2020](#) on 21 May.
7. The Circular sets out statutory guidance to reduce the reporting burden for the management commentary for 2019/20. It also includes non-statutory advice on the application of the Coronavirus (Scotland) Act 2020 to allow each local authority to determine its own revised timetable for annual accounts and how the Act can be applied to the public inspection and objection process.

8. Although local authorities are encouraged to continue to comply in full, the statutory requirements for a management commentary are relaxed in some respects to focus on headline financial results, financial position and risks going forward (including risks arising from COVID 19). The Circular highlights that the statement of responsibilities and annual governance statement are essential accountability documents and are, if anything, more important at this time. If a local authority has difficulty obtaining all the assurances required, for example annual assurance certificates, this should be explained in the statement. There has been no relaxation for other elements of the annual accounts required by the Scottish Government rather than the Code, such as a remuneration report, a housing revenue account, a non-domestic rate account and a council tax account.
9. On timescales, the Circular states that local authorities in discussion with auditors should strive to work to a date as early as practicable for both parties. Scottish Ministers consider it reasonable that a local authority publishes its audited accounts no later than 30 November 2020. Other requirements include:
 - If a local authority is planning to postpone the publication of the unaudited accounts, it should publish a statement to explain this by 17 June, with an indication of the likely date.
 - Publication of an inspection notice 14 days prior to the inspection period, including setting out the process someone needs to follow to ask for documents where access to offices isn't possible.
 - If a local authority is planning to postpone the publication of the audited accounts, it should publish a statement before 30 September with an indication of when the authority will meet to consider the audited accounts.
10. Audit Scotland's Professional Support team has issued an [addendum](#) to the 2019/20 planning guidance to all auditors to update audit deadlines to reflect the Circular. The audit deadline for the health sector has also been extended from 30 June to 30 September. In addition, the addendum:
 - Provides guidance on the identification of further significant audit risks as a result of COVID 19.
 - Highlights that the importance of wider audit scope work has never been greater than during the current crisis and auditors are expected to report conclusions based on the work they have carried out, although accepting that the work undertaken may have changed in response to shifts in the relative significance of risks.
 - Stresses that annual audit work on best value themes, and follow up of BVAR recommendations, should continue to be reported. If work has been impacted by COVID 19, auditors are required to explain this in the annual audit report and that it will take place in future.
11. Most, but not all, local authorities currently intend to produce their unaudited accounts by 30 June. Aberdeen City Council produced their accounts in May and the audit by KPMG is underway. Discussions are taking place between local authorities and auditors to agree a provisional timetable for the audited accounts. Limits on auditor capacity, when combined with the challenges of remote working and anticipated technical issues on areas such as valuations, will almost certainly result in a number of accounts being finalised in October and November rather than September. This will be necessary to ensure that audit quality is maintained.
12. A verbal update on the latest position will be provided at the meeting on 18 June.

Update on the current Local Government Overview and Performance Audit reporting programme

13. The impact of the pandemic continues to mean significant changes to current audit work but also the longer-term work programme. The longer-term impact will be considered through the work programme refresh. For those audits underway or due to start within the next few months we have discussed options with Sponsors and where necessary the Chair and Deputy Chair for next steps. In some instances, this means pausing audits or delaying their start, and for others it involves changes to the audit scope, timing or reporting arrangements (ie limited promotion, alternative means of presenting audit findings).
14. We are continuing to discuss the implications of changes to the work programme for meeting agendas and workplans with the Secretary to the Commission and Clerking team at the Parliament's Public Audit and Post-Legislative Scrutiny Committee (PAPLS). For Commission meetings this has largely focussed on the scheduling of emerging messages and draft report consideration for those audits due to conclude during the remainder of 2020. The AGS has briefed PAPLS twice on the implications of Covid-19 on the work programme. We have also agreed with Clerks a schedule of briefings through to the Summer recess at the end of June. Of note to the Commission this includes:
 - *Affordable Housing* (Joint) – briefing to the Committee on 11 June
 - *Early learning and childcare* (Joint) – briefing to the Committee on 18 June
15. The impact of Covid-19 on councils' finances and performance will need to be reflected in the Commission's strategy for overview reporting as will the likely impact of the changes to the timing and approach to this year's annual audit work. Initial discussions have taken place with audit sponsors about the *2021 Local Government challenges and performance* overview and this year's financial local government overview.
16. It is likely that the 2021 *challenges and performance* report will look significantly different to previous reports to reflect the operating environment of councils and the impact of the pandemic, councils' response, risks and lessons learned. The next financial overview is likely to focus heavily on the financial impact of Covid-19 on councils but the content and coverage will be dependent on the levels of information available through the accounts and what information local auditors can reasonably obtain from councils during this challenging time. The Commission will wish in due course to consider how it wishes to position and co-ordinate the messages in these two reports, both of which are tentatively planned for publication Spring 2021, to add most value.
17. 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 2020/2021 (including joint AGS audits)

Audit	Planned publication	Update
<i>Affordable housing</i>	9 April 2020	<p>This report was published online only on the Audit Scotland website on 9 April. No promotional activity was undertaken.</p> <p>The Parliaments Public Audit and Post-legislative Scrutiny (PAPLS) committee will be briefed on the report on 11 June.</p>

Audit	Planned publication	Update
<i>Local Government Overview: challenges and performance 2020</i>	Original: 16 April 2020 Planned: 23 June 2020	This report was not published on 16 April. An options paper setting out risks, issues and options for the overview was considered by audit sponsors. It has been agreed to publish the 2020 overview on the Commission and Audit Scotland websites, with a provisional publication date of 23 June. This decision reflects the relevance of some of the report's key messages for the recovery process within local government. There will be no media 'launch' but Council Chief Executives, Scottish Government (including local government division), CoSLA, SPICE and SOLACE will be notified of the report's publication.
<i>Improving outcomes for young people through school education</i>	Original: 9 June 2020 Planned: to be confirmed but not during 2020	<p>At the point of lockdown, the draft audit report was due to go into clearance in early April and publish on 9 June. Due to the circumstances the AGS and Commission agreed to pause the audit and postpone publication. Since then the audit team has met with key stakeholders including Scottish Government, CoSLA and ADES to gain insight into the implications of Covid-19 for the school education as well as the response of central and local government. The response is heavily focussed on developing alternative forms of provision including classroom delivery that reflects social distancing requirements and extending capacity to deliver online learning. Mitigating the impacts on disadvantaged and vulnerable children and young people is a priority.</p> <p>The implications of Covid-19 on school education and the required response by the sector are significant and are central to our considerations in determining the best approach to completion and publication of the audit. The audit team is preparing an options paper for review by the Auditor General and Commission sponsors later this month. At this stage we do not anticipate completion of the audit or publication of the final audit report in the short to medium term.</p>
<i>Digital progress in local government</i>	Original: 8 October 2020 Planned: Autumn 2020	<p>The audit's emerging messages will be considered by the Commission on 18 June.</p> <p>Having paused fieldwork to allow councils to respond to the immediate pressures of Covid-19 the audit team is now contacting the six case study councils to follow up on any outstanding issues. The team also plan to explore with those councils the role of digital in responding to the pandemic, and any challenges they have faced, lessons learned and impact on future digital strategies and plans.</p> <p>The audit's timescales remain broadly as originally planned, but due to the pause in fieldwork and additional work around the response to Covid-19 the publication of the final report is now likely to be later in the Autumn of this year.</p>
<i>Local government: financial overview</i>	Original: November/ December 2020	The financial overview is currently paused to prioritise financial annual audit work on local authority accounts and to reflect changes in local government accounting timescales. We anticipate publishing the next financial overview in spring 2021. The content and coverage are dependent on the levels of information available through the accounts and what information

Audit	Planned publication	Update
	Planned: Spring 2021	local auditors can reasonably obtain from councils during this challenging time. The Data Set issued to auditors includes an additional section for capturing issues relating to Covid-19. This information will inform this audit and will also be shared with colleagues working on other local government audits.
Waste management	Original: Spring 2021 Planned: to be confirmed through refresh	Early desk-based scoping work has been undertaken. Next steps for this audit will be considered as part of the work programme refresh.
Outcomes for children with additional support needs	Original: Summer 2021 Planned: to be confirmed through refresh	Monitoring of Covid-19 issues relevant to this audit is being undertaken. Next steps for this audit will be considered as part of the work programme refresh.
Social care sustainability	Original: Summer 2021 Planned: to be confirmed through refresh	Monitoring of Covid-19 issues relevant to this audit is being undertaken. Next steps for this audit will be considered as part of the work programme refresh.

Update on Best Value Assurance reports due to be published in 2020

18. The impact on Best Value Assurance Reporting varies across audits, with some audits continuing albeit to amended timescales. The exact dates and reporting arrangements for the reports due to be considered this Autumn are still to be agreed with the Commission and are indicative at this stage.
19. 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

Audit	Planned publication	Update
Argyll and Bute	Original: 23 April 2020 Actual: 21 May 2020	The BVAR was published on 21 May.

Audit	Planned publication	Update
<i>North Ayrshire</i>	28 or 30 June 2020	The draft BVAR will be considered by the Commission on 11 June.
<i>Moray</i>	Original: 26 May 2020 Planned: August 2020	The council is due to provide clearance comments on the draft report by 1 June. The draft BVAR is currently scheduled to be considered by the Commission in August, with publication following later that month.
<i>Edinburgh</i>	Original: 27 August 2020 Planned: September /October 2020	Drafting of the BVAR is underway however the audit has experienced a delay to planned timescales due to necessary resourcing changes due to Covid-19, and delays in receiving additional information and evidence from the council. The audit team is revising the audit plan with it now likely that the draft BVAR will be considered by the Commission in September or October.
<i>Dundee City</i>	Planned 24 September 2020	The audit team is meeting the Controller of Audit on 17 June to discuss the draft report prior to issuing to the Council. The team is discussing with the Council the timescales for their consideration of the draft report – this timescale will seek to minimise the pressure on key council staff to respond within an unrealistic timescale during their ongoing response to Covid-19 and the upcoming school summer holidays. It remains our intention to finalise the BVAR for Commission consideration in September, but this will depend on the outcome of discussions with the Council.
<i>Aberdeenshire</i>	Planned 22 October 2020	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.
<i>Falkirk</i>	Original: 26 November 2020 Planned: to be confirmed	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 further notice. 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.

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

20. Where resources have become available due to the putting on hold of some pieces of audit work colleagues are focusing on programme development activity. 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 but resources have been identified for this work given its importance. The UN Climate Conference scheduled for later this year has been postponed until 2021 creates 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. This work is now on-hold pending decisions about the preceding performance audit and prioritisation of audit resources.
- **Housing benefits (HB) performance audit:** The thematic study on Overpayments was considered by the Commission in March, however the planned publication in April was paused due to the impact of Covid-19. Current plans are to pull together the findings for the year, including the overpayments report, into the Annual Report which is now planned for the September Commission meeting. The scoping of the next thematic study on Resourcing has been paused due to the availability of council staff and current sensitivities. The East Dunbartonshire housing benefit performance audit has been completed, however, on the advice on the local audit team, has not yet been shared with the council for clearance. We will look to engage with the Commission in future meetings on the key thematic areas that would be most appropriate in the current environment.
- **National Scrutiny Plan:** scrutiny bodies are currently re-evaluating their plans in light of Covid-19. Most planned activity is on hold or compromised – how and when it is restarted will require an assessment of risks and how methodologies can be applied when usual tools and techniques (interviews, focus groups etc) need to be adapted. The relative position of each scrutiny body can be found on the [Audit Scotland Scrutiny Improvement website](#). At this stage the Strategic Scrutiny Group is not in a position to determine a timetable for the production of the next National Scrutiny Plan.
- **Equal pay in councils impact report:** this report was considered by the Commission on 21 May and will be published on 9 June.
- **National Fraud Initiative (NFI) and Annual fraud update:** the draft NFI report is being considered by the Commission in June. It is our intention to publish the Annual fraud report before the NFI report, and thereafter produce a short output on counter-fraud risks associated with Covid-19.

Conclusion

21. The Commission is asked to:

- a) Note the updates on delivery of the work programme and the issues raised within this report
- b) Note that a further verbal update will be provided to members at this meeting.

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Director of Performance Audit and Best Value
1 June 2020