

MEETING: 10 SEPTEMBER 2020**REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE****WORK PROGRAMME UPDATE: PROPOSALS FOR 2020/2021 AUDITS AND KEY COVID-19 RISKS FOR COUNCILS AND THEIR PARTNERS**

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. It also contains short-term (2020/2021) work programme for approval by the Commission and summarises the Commission's initial consideration of key Covid-19 risks for councils and their partners at its strategy seminar on 13 August.

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.
3. 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.
4. At its Strategy Seminar on 12 August the Commission considered initial proposals for the short-term (2020/2021) work programme. This report contains updated proposals for formal approval which reflect feedback received from the Commission on the initial proposals at the Strategy Seminar. These proposals also reflect the outcome of discussions that took place between the interim Chair of the Commission, Deputy Chair and the Auditor General for Scotland on the 11 August.
5. At its strategy seminar the Commission also gave initial consideration the major impact that the Covid-19 global pandemic has had and will continue to on all our lives and what this might mean for its future strategy and work programme. The outcomes of those discussions are summarised later in this report.
6. This paper should also be viewed in the context of the Commission's Insight Programme which will run throughout 2020, and is designed to deliver a revised strategy and longer term work programme by the Spring of 2021. In addition, discussions are underway to consider the timing and content of the Annual Planning Guidance for the audit year 2020/21. The Accounts Commission will have the opportunity to contribute to the draft planning guidance in due course.

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

7. Since the last update, Glasgow City Council's unaudited accounts were received by their auditor on 14 August. All local authority unaudited accounts have now been produced, with the exception of Clackmannanshire Council and Scottish Borders IJB.

8. Clackmannanshire's unaudited accounts are expected on 31 August. The main cause of the delay is the five-yearly revaluation of land and buildings. The valuer's staff were furloughed during lockdown and so officers have only recently been able to discuss queries with them. There are also capacity issues in the finance team. In the case of Scottish Borders IJB, the delay is due to the late production of NHS Borders unaudited accounts (received on 21 August).
9. Expected completion dates for the audit of the accounts continue to vary from August for some of the smaller boards to November, with the majority expected to be completed in November. Aberdeen City Council's accounts were signed by KPMG on 11 August.
10. Auditors are also reporting that expected completion dates may be amended as the audits progress. Currently, the accounts for Renfrewshire, Glasgow and Clackmannanshire councils are not expected to be finally approved and signed until after 30 November.
11. The Financial Audit and Assurance Committee received an update on the main issues arising so far from the audit of local authority financial statements at their meeting on 27 August. A verbal update on the latest position will be provided at the Commission meeting on 10 September.

Approach to Local government overview reporting

12. The Covid-19 pandemic has created a unique and challenging set of circumstances for local government in Scotland. At its meeting on the 13 August the Commission agreed that its approach to local government overview reporting in 2021 will consider the response to the pandemic by local government, including what the main risks and issues were, and what lessons have been learned. This work will feature prominently in the Commission's *Local Government challenges and performance* overview report, and is likely to include:
 - how local government used contingency and emergency planning measures to manage the crisis
 - the resilience of council IT infrastructure
 - councils' communication with the public and stakeholders
 - the effectiveness of partnership working in the delivery of services
 - changes to governance arrangements, including risk management and internal control systems, and the impact on accountability and decision making
 - the financial impact of Covid-19 for local government finances, including costs, loss of revenue and impact on savings generated
 - changes to the ways in which council services are provided
 - impact and implications of the crisis on councils' workforce.
13. In response to points raised at the Commission's strategy seminar the following issues will be considered as part of the scope of the 2021 local government overview:
 - the local economic impact of Covid-19
 - the impact of Covid-19 on ALEOs and what this means for councils (e.g. governance, risk exposure, etc.).
14. At its meeting on the 13 August the Commission noted that 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 timing of the report's publication will be later than has been the customary norm (November) due to the extension to the local government accounts period and thus the knock-on impact for auditors for reviewing Annual Audit Reports and accounts.

15. Publication of both the *Financial* and *Challenges and performance* overview reports is planned for Spring 2021.

Impact on the current Performance Audit reporting programme 2020/2021 and proposed next steps

16. The impact of the pandemic continues to mean significant changes to current audit work but also the longer-term work programme. In some instances, this has meant pausing audits or delaying their start, and for others changes to the audit scope, timing or reporting arrangements (i.e. limited promotion, alternative means of presenting audit findings).
17. The longer-term impact is being considered through a full refresh of the work programme, with proposals to be developed and discussed with the AGS and Commission later in 2020.
18. Table 1 sets out proposed ways forward for 'paused' audits and performance audit reports which were due to be published in 2020/21 but which have not yet started.

Table 1: Impact on Accounts Commission overview reports and performance audits 2020/2021 (including joint AGS audits)

Audit	Planned publication	Update
<i>Improving outcomes for young people through school education</i>	<p>Original: 9 June 2020</p> <p>Planned: Restart work in late 2020 with the aim of Spring 2021 report publication.</p>	<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.</p> <p>Following discussion with the AGS and Accounts Commission sponsors in June 2020, we plan to carry out audit work in late 2020 and early 2021 to look at the Scottish Government and councils' response to Covid-19 and the plans for education recovery. We plan to publish a report in spring 2021 that will draw on the findings in our uncleared report (as at March 2020) and the new audit work.</p> <p>The scope of our new audit work is still to be determined and we will talk to key stakeholders to help inform that decision. But it is likely that it will consider educational outcomes, how the system has responded to Covid-19 and the longer-term implications for young people's outcomes and the poverty-related attainment gap. It is also likely to look at how effectively the Scottish Government and councils have worked together and with their partners to address pupils' immediate needs and take action to recover from the damage to pupils' learning and wellbeing from Covid-19.</p> <p>We want to help inform school education post Covid-19, so the report will set out our view of the key opportunities and challenges facing education in Scotland and our longer-term plans for audit work in this area.</p> <p>Proposal: restart audit in late 2020 to publish Spring 2021</p>

Digital progress in local government	<p>Original: 8 October 2020</p> <p>Planned: Autumn / Winter 2020</p>	<p>The audit's emerging messages were considered by the Commission on 18 June. Timescales remain broadly as originally planned, but due to the pause in fieldwork and additional work around the response to Covid-19 publication of the final report is likely to be later in the Autumn/Winter of late 2020 or early 2021.</p> <p>Proposal: proceed as planned for publication late 2020/early 2021</p>
Waste management	<p>Original: Spring 2021</p> <p>Planned: Remove performance audit from work programme.</p>	<p>Initial scoping suggests that there are important audit issues to explore in this area and that audit work could add value. However, when considered alongside the wide range of other significant challenges and issues facing public services, we are no longer proposing a full performance audit. Instead we are exploring options for an alternative output such as a briefing and/or data summary output.</p> <p>Work undertaken to produce the proposed Climate Change briefing will also inform potential future work looking at waste management in Scotland.</p> <p>Proposal: remove from work programme and consider longer term work through work programme refresh</p>
Outcomes for children with additional support needs	<p>Original: Summer 2021</p> <p>Planned: Retain in longer-term work programme.</p>	<p>Significant concerns were identified in the independent review of the implementation of the additional support for learning legislation published in June 2020. These are likely to have been exacerbated by the negative impact of Covid-19 and lockdown on children with additional support needs.</p> <p>We are therefore proposing to retain this audit in the longer-term work programme as part of the Commission's strategic focus on equalities.</p> <p>It was always planned that this audit would follow the education outcomes audit and build on the findings of that work. Our current thinking is that to add most value through this work we should carry out our ASN audit work no sooner than 9 months after publication of the education outcomes audit report.</p> <p>Proposal: retain but as part of longer-term work programme</p>
Social care sustainability	<p>Original: Summer 2021</p> <p>Planned: retain in 2020/21 work programme</p>	<p>The disproportionate impact of the Covid-19 pandemic on the social care sector means that this audit has become even more relevant than when it was approved by the Commission and AGS for inclusion in the work programme in March 2020.</p> <p>There are some concerns that money provided by the Government to fund public services during the crisis will not make it to care homes quickly enough, and this may have implications for the financial sustainability of some providers. The current model of care is looking even less sustainable for the future. Care home occupancy rates are expected to fall, both through an increased number of mortalities and through families bringing their relatives to live at home with them. Some</p>

		<p>homes are anticipating occupancy rates to fall to around 60%. Most homes normally operate at $\geq 90\%$ occupancy.</p> <p>Social care is a long-standing area of strategic interest to the Commission and the AGS has also signalled his intention to undertake audit work in this area.</p> <p>We are therefore proposing to retain this audit in the short-term work programme with scoping work continuing during 2020 and publication of the audit report during 2021. Should a public inquiry into the social care sector's handling of the pandemic be called we will carefully consider the scope and timing of the audit to minimise duplication.</p> <p>In response to points raised at the Commission's strategy seminar the following issues will be considered as part of the scope of this audit:</p> <ul style="list-style-type: none"> ○ the quality strategic commissioning by IJBs ○ the need to consider domiciliary care alongside residential and nursing care (in the context of the longstanding SG policy of shifting resources and services towards community-based provision) ○ the need to consider the following client groups beyond older people (people with learning disabilities, people with physical disabilities) <p>Proposal: proceed with audit for publication during 2021</p>
--	--	---

Update on Best Value Assurance reporting

19. At its June meeting the Commission noted the revised schedule for Best Value Assurance Reporting in 2020:
 - ***Moray Council*** – August
 - ***Dundee City Council*** – September
 - ***Aberdeenshire Council*** – October
 - ***City of Edinburgh*** – November.
20. As previously reported, the Falkirk Council BVAR and associated audit work has been deferred due to the on-set of the pandemic prior to the work commencing. For planning purposes this audit and the assurance reporting for the council are included in the final tranche of BVARs originally due for completion in 2021.
21. The extension to the audit appointments to September 2022 provides additional time and flexibility to complete the current Best Value assurance programme. We are currently discussing options with appointed auditors for audit timescales including reporting to the Commission. It is our intention to stagger the remaining reports across the two remaining years of the audit appointment cycle. This means 3 or 4 BVARs in 2021 with the remainder following in 2022 prior to the end of the audit appointments in September 2022.
22. The remaining councils for which BVARs are to be produced are:
 - ***Falkirk Council*** (originally 2020)
 - ***Aberdeen City Council***
 - ***Angus Council***

- *Comhairle nan Eilean Siar*
- *East Dunbartonshire Council*
- *Shetland Council*
- *South Ayrshire Council.*

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

23. Several pieces of programme development activity which may have led to published outputs were put on hold because of the impact of the Covid-19 pandemic. Table 2 sets out proposed ways forward with those pieces of work.

Table 2: Proposed approach to outstanding briefings and pieces of programme development work.

Output	Proposal
Climate change pre-audit briefing	<p>A briefing paper in 2020 will provide an enhanced understanding of the issues around tackling climate change and performance to date. Work undertaken in preparing a briefing will inform future performance audit work including work to examine the Climate Change Plan. Climate change is also likely to feature in other audits, for example those looking at measures to tackle economic downturn and infrastructure investment (eg strategic capital investment (including connectivity), City Deals).</p> <p>Proposal: proceed with briefing in 2020</p>
Teacher workforce planning briefing	<p>Work had not started on this briefing paper at the start of lockdown as it was always planned to take place after the publication of the school education performance audit report.</p> <p>We are proposing to remove this from the work programme. Carrying out separate and additional audit work on teacher workforce planning is no longer a priority in the short term given the scale of the impact of Covid-19 on school education. We are likely to keep the impact of Covid-19 and the return to schools on the teacher workforce under review as part of our monitoring; and we are likely to comment on some issues in the Education outcomes report, e.g. the additional / different workforce required for the recovery phase.</p> <p>We will consider carrying out work in this area in the longer term as part of future work programme refreshes given ongoing concerns about workforce planning, e.g. long-term vacancies in some subjects and some parts of the country, while at the same time some teachers are unable to secure posts.</p> <p>Proposal: remove from work programme and consider longer term work through work programme refresh</p>

24. There are further outputs in addition to these under consideration for 2020 to 2021. The scope and timing of these is being developed – where there is a local government interest or focus to the work we will engage with the Commission as appropriate. Potential outputs include briefings on waste management, Skills planning and enterprise, a Strategic Scrutiny Group output on Covid-19 risks, issues and implications for scrutiny; and a roundtables in areas such as equalities and digital (impact of Covid-19 and responses).

25. The indicative publication schedule of Accounts Commission and relevant Audit Scotland outputs through to Summer 2021 is shown at Appendix 1. Should the timing of existing planned work change, or additional outputs/reports be added we will discuss these with the Chair and Secretary and communicate to the wider Commission through future work programme update reports.

Covid-19 risks and challenges

26. At its strategy seminar on 12 August the Commission gave initial consideration the major impact that the Covid-19 global pandemic has had and will continue to on all our lives and what this might mean for its future strategy and work programme.
27. That discussion was informed by a strategic overview of some of the key Covid-19 risks and issues facing councils and their partners in Scotland (Appendix 2). The Commission agreed that these risk headings were useful in providing a framework for thinking about how its future strategy and work programme might be impacted by the Covid-19 global pandemic.
28. The Commission noted that the pandemic highlights the importance of many long-standing issues that it has previously reported on, such as good governance, openness and transparency, financial controls and management, and effective long-term planning to deliver better outcomes for individuals and communities. In some areas of Commission interest such as financial sustainability and service provision, Covid-19 has exacerbated pre-existing risks and challenges.
29. More positively the Commission noted that the response to Covid-19 has shone a spotlight on some of the strengths of Scottish public services, such as its ability to adapt and change quickly and how partners can pull together effectively when presented with an urgent shared challenge.
30. During discussion the Commission identified some Covid-19 risk areas which are of greatest interest to it (Governance and Accountability, Financial Sustainability and the impact of Covid-19 on future delivery of public services).
31. Other significant issues which arose in discussion were:
- **Governance and Accountability** – the importance of the Commission ensuring that future audit work consider the impact that rapid decision-making has had on openness and transparency and scrutiny. For example, has there been increased use of emergency powers? If so, has there been adequate reporting back to elected members on those decisions.
 - **Funding to community and other groups** – the importance of the Commission ensuring that future audit work considers how well the funding of third parties during the pandemic has been managed (eg quality of oversight and effectiveness of controls of funding to and through community councils).
 - **Risk management** – the importance of public bodies updating their risk registers in response to the issues raised by the pandemic and in particular considering the potential increase in fraud risks to councils and IJBs as a consequence of Covid-19.
 - **Targeting of the Commission's work** - the need for the Commission to avoid duplicating the effort of others in what is a very crowded and noisy landscape of commentary around Covid-19.
 - **Innovation and improvement** – the importance of the Commission's future work programme ensuring that it captures the good practice and innovations

demonstrated during public bodies' responses to Covid-19 (including any good examples of effective collaborative leadership).

- **The public** – the need to ensure that there is a strong focus on the impact of Covid-19 on the public, particularly as we move through response to recovery and renewal.

32. These issues will all be considered by Audit Scotland when preparing work programme refresh proposals for the Commission.
33. Commission members noted that several of the Covid-19 risk areas are cross-cutting and suggested they might feature across a range of different pieces of audit work. Audit Scotland was asked to set out a framework for the Commission showing how the key Covid-19 risks highlighted in Appendix 2 might be reflected in future audit work. Audit Scotland will prepare such a framework for consideration at a future meeting of the Commission.

Conclusion

34. The Commission is asked to:

- a) Note the updates on delivery of the work programme and the issues raised within this report.
- b) Approve the short-term work programme proposals and consider how it wishes to communicate them to stakeholders.
- c) Note that Audit Scotland will be reflecting the Commission's initial consideration of Covid-19 risks in future work programme refresh proposals.
- d) Note that the Commission will have the opportunity to consider the Annual Planning Guidance in due course.
- e) Note that Audit Scotland will prepare a framework setting out how the Covid-19 risks highlighted in Appendix 2 might be reflected in future audit work for consideration at a future meeting of the Commission.

Fraser McKinlay
Director of Performance Audit and Best Value
26 August 2020

**SCHEDULE OF COMMISSION AND RELEVANT AUDIT SCOTLAND
REPORTS FOR PUBLICATION DURING THE NEXT 12 MONTHS**

Indicative publication month	Audit / output
August	Briefing: <i>Covid-19 financial impact</i> (Audit Scotland) BVAR: <i>Moray Council</i>
September	BVAR: <i>Dundee City</i> Short-term Work programme Housing Benefit Annual Report *Autumn*
October	BVAR: <i>Aberdeenshire Council</i>
November	BVAR: <i>City of Edinburgh</i>
December	Briefing: <i>Climate change</i> (Joint or Audit Scotland)
January	Performance audit: <i>Digital progress in local government</i>
February	n/a
March	Performance audit: <i>Education outcomes</i> (Joint) Overview: <i>Local government: financial</i>
April to July	<i>Annual Assurance and Risks Report</i> (Controller of Audit) Overview: <i>Local government: challenges and performance</i> BVAR: <i>Council TBC</i> x1 Performance audit: <i>Social care sustainability</i> (Joint)

2-3 Best Value Assurance Reports to follow in Autumn of 2021, with the remaining 2-3 reports in 2022.

There are additional 'other' outputs under consideration for 2020 to 2021. The scope and timing of these is being developed. Potential outputs include briefings on waste management, Skills planning and enterprise, a Strategic Scrutiny Group output on Covid-19 risks, issues and implications for scrutiny; and a roundtables in areas such as equalities and digital (impact of Covid-19 and responses).

KEY COVID-19 PUBLIC SECTOR RISKS THAT WILL INFORM THE ACCOUNTS COMMISSION'S STRATEGY REFRESH

Risks and issues for public services emerging from Covid-19



Economic and fiscal



The response to Covid-19 will affect the Scottish economy and its public finances. There may be permanent scarring of some parts of the economy. Increased unemployment seems likely, especially among young people and lower-skilled and in certain sectors: tourism, hospitality, and retail. This may increase demands on the social security system. Any reduction in tax take, relative to the rest of the UK, will increase long-term pressure on Scotland's public finances.

Adaptation and innovation



The response to Covid-19 has resulted in a rapid shift to remote working for large parts of the public sector, for example the establishment of virtual council contact centres. This shift has happened at an unprecedented pace. The challenge will be to retain learning from the experience and enable future change. The response to Covid-19 has demonstrated how quickly the public sector can operate, for example the construction of a new hospital in Glasgow.

Public services



The response of public services to Covid-19 has been strong but it has heightened financial pressures and there are risks to the sustainability of some sectors: such as social care and universities and threats to public service delivery associated with staff burnout and backlogs in many public services (NHS, courts). There are pressures on the delivery of outcomes in the national performance framework for example, educational outcomes.

Digital



The response to Covid-19 has led to a major public sector pivot to more digitally delivered services including school, college and university education, virtual courts, online GP consultations and e-care. While there are genuinely positive aspects to this pivot, it does result in risks about inequalities of access to digital technology and connectivity with regard to geography and deprivation.

Equalities



Covid-19 has the potential to increase inequalities. There will be a greater economic and employment impact on younger people. There is higher mortality and morbidity among the BAME community. Deprived communities have experienced more acute direct (health) and indirect (education) effects. The Scottish Government has delayed the introduction of the Scottish Child Payment.

Community engagement



There are many examples of strong community support and resilience activity in response to Covid-19. However, the need to make rapid decisions about how to change how public services are delivered may have compromised the amount of community engagement that has been able to take place. As we shift from response to recovery to renewal, it is imperative that public services engage with communities.

Collaborative leadership



The response to Covid-19 has led to some coordinated and rapid responses across the public services, such as multi-agency helplines, and support for rough sleepers. In other cases, public services have been less coordinated: transfer of infected patients from hospitals to care homes. It will be critical to sustain collaboration during the shift from short-term response to medium-term recovery.

Governance & accountability



The response to Covid-19 led to the adjustment to governance systems to enable rapid decision-making. This may have reduced scrutiny, oversight and transparency by non-executives and elected members. The rapid pace of change and changed ways of living and working have increased the risk of error and fraud.