

Argyll and Bute Council

Update Report



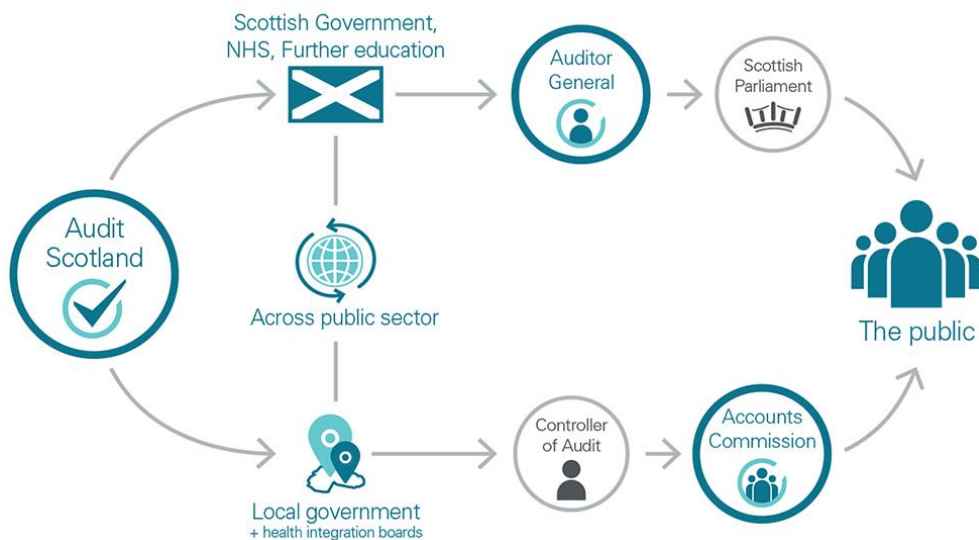
 AUDIT SCOTLAND

Prepared for Argyll and Bute Audit & Scrutiny Committee
March 2019

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Annual Audit Plan 2018/19

1. The annual audit plan for 2018/19 is included a separate item on the agenda. It sets out our planned audit outputs for the year and the scheduling of our audit work to meet the statutory deadline for certification of the annual accounts.
2. We will provide members with regular progress updates against the plan during the year. If any new risks emerge during the audit, we will apprise members and explain any additional procedures that we need to carry out to address these risks.

Governance work

Internal controls

3. We will shortly be commencing our testing of controls within financial systems focusing on high level controls designed to mitigate the risk of material misstatement in the annual accounts. Any significant issue will be reported to management and the Audit & Scrutiny Committee. Additionally, we will be following-up previous years' audit reports to assess progress in implementing action plans agreed with management.

Internal audit

4. The Code of Audit Practice emphasises that external auditors should co-ordinate their work with internal audit to help secure value for money by removing unnecessary duplication and also provide a clear programme of scrutiny for audited bodies. We meet with internal audit regularly to discuss emerging issues and share information.

National Fraud Initiative (NFI)

5. The NFI is a counter-fraud exercise which uses computerised techniques to compare information about individuals held by 1,200 bodies across the UK to identify instances that might suggest the existence of fraud or error. Audit Scotland leads the work north of the border and about 120 public bodies in Scotland participate in the NFI.
6. As part of our planned work for 2018/19 we will assess the council's arrangements for reviewing and investigating issues identified by the NFI exercise. Our findings will be reported through our 2018/19 Annual Audit Report.

Audit dimensions work

7. The Auditor General, the Accounts Commission and Audit Scotland have agreed four audit dimensions - financial sustainability, financial management, governance & transparency and value for money - that frame the wider scope audit work into identifiable audit areas. The statutory annual accounts audit will be the foundation and source for most of the audit work necessary to support the judgements and conclusions made by us on these dimensions.
8. The audit dimensions will be used to report where auditors are adding value or having an impact. As auditors we must consider the audit dimensions when scoping, planning, performing, and reporting our work.
9. Our planned work on the audit dimensions includes:

- **Financial sustainability:** we will be reviewing and assessing the council's financial position, reserves strategy, savings targets & plans and longer-term financial planning
- **Financial management:** as part of our work in this area we will review the capacity of the finance function and financial reporting arrangements (including budgetary monitoring arrangements).
- **Governance and accountability:** our work will involve reviewing the effectiveness of financial governance including schemes of delegation, standing orders and internal audit.
- **Value for money:** our work will include the review of performance, outcomes and improvements. This will be covered as part of our planned Best Value work.

Best Value

10. As part of our programme of work in 2018/19 we plan to cover two specific Best Value characteristics i.e.

- Fairness and Equality, and
- Performance, outcomes and improvements.

11. The resourcing and timing of this work is being discussed and will be confirmed in early course. In the meantime, we have provided officers with information setting out the scope of this work.

12. In June 2016, the Accounts Commission formally agreed a new framework for auditing Best Value. Under this framework the Best Value audit is an integral part of the ongoing annual audit of councils. The Controller of Audit prepares a Best Value Assurance Report (BVAR) for each of Scotland's 32 councils at least once in a five-year period. The BVAR for Argyll and Bute is due to be produced during early 2020. Auditors are liaising with officers around the scope and timing of Best Value audit work in support of the council's BVAR. This includes the work in 2018/19 on Fairness and Equality, and Performance, Outcomes and Improvement.

Grant claims

13. In addition to the outputs listed in our Annual Audit Plan we audit and certify several grant claims as outlined below:

Grant claim	Target date	Planned audit work
Education Maintenance Allowance	31 July 2019	June 2019
Non-Domestic Rates Return	6 October 2019	September 2019
Housing Benefit Subsidy Return	29 November 2019	May / June 2019

14. We plan to do most of our benefits work in May and June 2019 to ensure we have a clear run at the annual accounts audit.

Annual accounts audit

15. We will be commencing our audit of the Annual Accounts at the end of June 2019 and plan to complete our audit by 13 September 2019 including our proposed independent auditor's report containing our audit opinions.

16. Your new finance team has been assembled to co-ordinate and prepare the 2018/19 annual accounts. We have had early discussions with your team to make clear our expectations. Also, we have shared with them a comprehensive list of working papers setting out our requirements for the annual accounts audit.

National performance audit reports

17. The table below sets out local government performance audit reports that Audit Scotland intends to publish on behalf of the Accounts Commission and Auditor General for Scotland within the next six-months.

Performance audit title	Scope and objectives of the audit	Indicative publication date
Local Government in Scotland: Challenges and performance	The annual overview report focussing on key issues and pressures, how councils are responding to these and council performance.	March 2019
How Councils Work: Safeguarding public money	This is the eighth report in the How Council's Work (HCW) series. It aims to increase the profile of risk and internal controls among councils, and to provide practical support that helps in councillors scrutinising their council's approach.	April 2019
Digital progress in local government	This audit will focus on whether councils are making best use of digital technologies and methods to transform services and improve outcomes for citizens. This will include looking at the effectiveness of leadership and collaboration across councils	Summer 2019
Revenue financing of assets: the Non-profit distributing (NPD) and Hub models	Revenue funded projects form a major part of public sector infrastructure investment in Scotland. This audit will aim to assess how the Scottish Government have managed this investment programme nationally. It will also look at how the Scottish Government, the Scottish Futures Trust and Hub Companies have supported the public bodies delivering individual projects.	Summer 2019

18. During 2019/20 Audit Scotland will be undertaking impact work in relation to the joint Auditor General/Accounts Commission performance audits of Early Learning and Childcare (2018), and Self-Directed Support (2017); and the Accounts Commission performance audit of Equal Pay in Councils (2017). Impact reports cover the response to the original audit report, and how conclusions and recommendations were acted upon by audited bodies and others, such as the Parliament.

19. The Accounts Commission recently consulted with councils and other key stakeholders on its proposed audit work programme for 2019/20 to 2023/24. Officers from the council responded to this consultation in January. The finalised work programme, which is delivered by Audit Scotland on behalf of both the Auditor General for Scotland and Accounts Commission, will be published in March 2019. Further information will be available on Audit Scotland's website (www.audit-scotland.gov.uk/our-work/future-work/our-work-programme).

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