

Argyll and Bute Council

Update Report



 **AUDIT SCOTLAND**

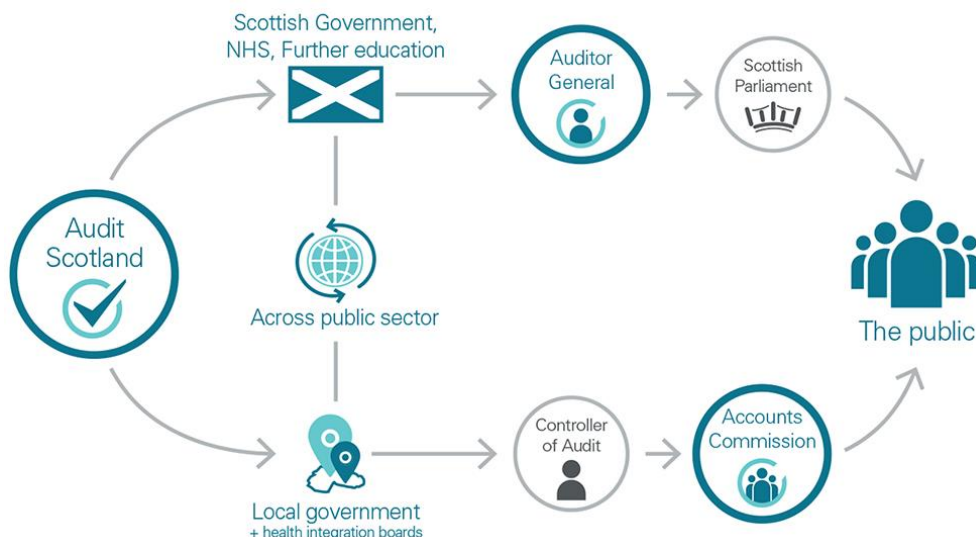
Prepared for Argyll and Bute Audit & Scrutiny Committee

June 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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Introduction

1. This paper is intended to give members an update of current progress on external audit activity and any recent national performance reports which have been published or are due.

Governance work

Internal controls

2. We have completed our testing of key controls and followed-up actions from the previous year. Our findings are summarised in our 2018/19 Management Report which is included as a separate paper presented to this Committee. The Management Report provides full details of our findings.

3. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of key controls and where appropriate prior year results. Our risk-based audit approach allows us to take a three-year cyclical approach to controls testing. Additionally, we followed-up prior year audit recommendation to assess progress with implementation. Overall, we concluded that there are no significant control weaknesses although there is scope for further strengthening payroll validation checks.

Internal audit

4. We meet with internal audit on a regular basis to share intelligence and relevant documentation. For example, we have shared copies of Best Value guidance and audit programmes used by external auditors. These make clear the scope of Best Value audit work and Audit Scotland's expectations.

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 National Fraud Initiative.

6. The information available to officers has been revised to ensure greater focus on key areas of risk. We have carried out an initial review of the council's arrangements for investigating key risks. We are satisfied that the council has made reasonable progress in investigating NFI data. We will give a fuller report of progress in our Annual Audit Report which will be submitted to the council at the end of September

Audit dimensions work

7. The Code of Audit Practice (2016) requires auditors to report to review and report on the four audit dimensions:

- **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.

8. We have undertaken preliminary work in the above areas. Some of our initial findings are included in our 2018/19 Management Report, for example, we have concluded that financial management is effective.

Best Value

9. A Best Value audit is due to commence in October 2019 with a Best Value Assurance report (BVAR) due for publication in spring 2020. In the meantime, as part of our normal planned programme of work we selected two Best Value attributes to review in the current year:

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

10. In terms of Fairness and Equality we have completed our fieldwork. We have yet to fully assess what we found but an emerging finding is that there is clear evidence of equality issues being embedded within everyday working. We will report more fully on our findings in our Annual Audit Report 2018/19 which will be issued at the end of September.

11. Our work on performance, outcomes and improvements has been substantially complete and we are reviewing documentary evidence. Again, our findings in this area will be detailed in our Annual Audit report 2019/20. Preliminary findings indicate that Public Performance Reporting is well established.

12. Our work in the above areas will inform the scoping and extent of the Best Value audit scheduled to begin in October 2019.

Grant claims

13. We have carried out considerable early work on the Housing Benefit Subsidy Return and we will be in a good position to sign it off well before the certification deadline of 30 November 2019.

14. Also, we will be shortly commencing our work on the Education Maintenance Allowance grant claim to ensure we sign that off by the deadline date of 31 July 2019.

Annual accounts audit

15. We have been carrying out early substantive testing in advance of receipt of the Annual Accounts. This will help audit efficiency and allow us to meet statutory certification deadlines; the Annual Accounts are required to be signed off by the 30 September 2019.

National Performance Reports

16. The table below summarises the key findings from recent performance reports published by Audit Scotland.

Performance audit title	Scope and objectives of the audit	Key findings
Local Government in Scotland: Challenges and performance (March 2019)	The annual overview report focussing on key issues and pressures, how councils are responding to these and council performance.	<ul style="list-style-type: none"> • Scottish Government revenue funding to councils has reduced in real terms between 2013/14 and 2019/20 • National policy initiatives continue to make up an increasing proportion of council budgets. This reduces the flexibility councils have for deciding how they plan to use funding • Demands for council services are increasing from a changing population; all councils expect an increase in the proportion of population aged over 65. • Councils need to ensure that they have the staff, skills and leaders to deliver change. This requires effective workforce planning, but the quality of planning is inconsistent across councils. • An increasing proportion of the workforce is nearing retirement and there is the need for effective succession planning. • Councils must continue to change to address the gap between demand and resources.
How Councils Work: Safeguarding public money (April 2019)	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.	<ul style="list-style-type: none"> • Council's decreasing budgets and rising demands on many services means that effective risk management and strong internal controls are more important now than ever before. • Internal and external auditors are increasingly reporting that standards of internal control may be strained thereby increasing the risk of loss of significant sums of public money and reputational damage. • Councillors should seek assurances from officers that a rigorous system of internal controls is in place. • The publication includes several checklists for use by councillors in carrying out their scrutiny role.

Performance audit title	Scope and objectives of the audit	Key findings
Social Security: Implementing the devolved powers (May 2019)	This reports looks at how the Scottish Government has coped with implementing devolved powers relating to benefits.	<ul style="list-style-type: none"> • The Scottish Government (SG) has done well to establish a new agency and start making benefit payments. • The delivery of future benefits will be a significant challenge. Many decisions about future benefits and how they will be delivered are still to be made. • The SG does not yet have a clear understanding of the key things needed to deliver all remaining benefits in the in the way it intends.

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, has now been published and is available on Audit Scotland's website (<http://www.audit-scotland.gov.uk/our-work/our-work-programme>).

Affordable Housing

Audit Scotland will be carrying out an audit on Affordable Housing over the summer months. The study will report progress against the Scottish Government's affordable housing target to date, consider what impact it has had and identify opportunities for improvement in delivering affordable housing in the longer term.

The review will gather evidence using a range of methods including interviews with stakeholders (e.g. COSLA, Scottish Housing Regulator and Association of Local Authority Chief Housing Officers); review of housing strategies and analysing housing data. In addition, the review will include a more in-depth consideration of four case-study councils. Argyll and Bute Council have been selected as one of the case studies and senior management within the council have been advised accordingly.

Argyll and Bute Council

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