

Argyll and Bute Council

Update Report



 **AUDIT SCOTLAND**

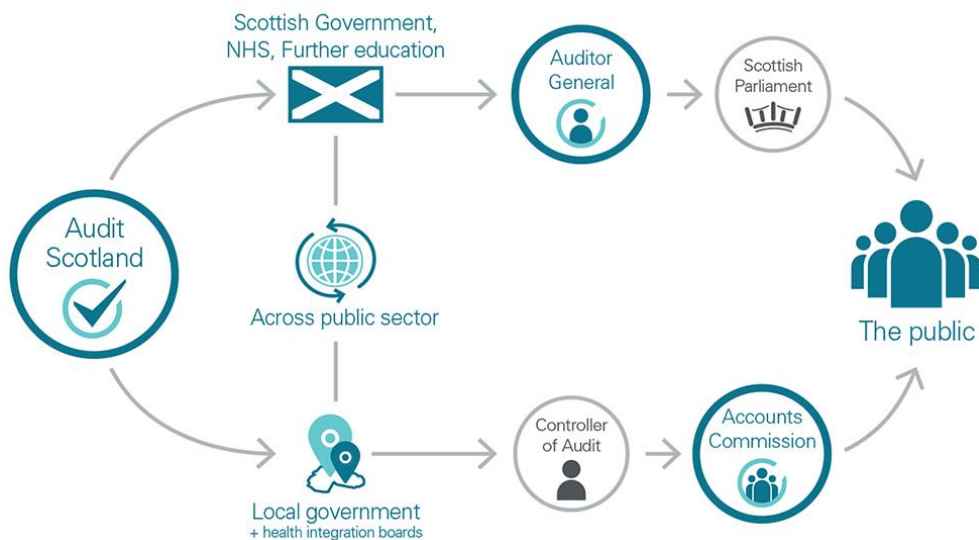
Prepared for Argyll and Bute Council Audit & Scrutiny Committee

24 January 2020

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.

Contents

Introduction	4
Annual Audit Plan 2019/20	4
Governance work	4
Audit dimensions work	4
Best Value	5
Grant claims	5
Annual accounts audit	5
National Performance Reports	6

Introduction

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

Annual Audit Plan 2019/20

2. Our planning work for the 2019/20 audit is currently ongoing, and the resulting annual audit plan will be finalised in time for presentation to members at the Audit and Scrutiny Committee (ASC) scheduled for March 17.

Governance work

Internal controls

3. We will be commencing our review and testing of controls within the main financial systems in February, focusing on the key high-level controls designed to mitigate the risk of material misstatement in the annual accounts. Any significant issues will be reported to management and the ASC. Additionally, we will be following up previous year 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 provide a clear programme of scrutiny for audited bodies. We meet with internal audit on a regular basis 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 more than 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. As part of our work for 2018/19 we assessed the council's arrangements for reviewing and investigating issues identified by the NFI exercise, and reported in our 2018/19 Annual Audit Report that the Council actively reviewed and investigated data matches with summary findings reported to the Audit and Scrutiny Committee.

7. We require to review ongoing participation and progress during 2019/20 and submit an update questionnaire by end February 2020 to our Audit Strategy team. The information provided will be used in Audit Scotland's two-yearly NFI report due to be published in summer 2020.

Audit dimensions work

8. The Code of Audit Practice (2016) requires auditors 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.

9. We have undertaken preliminary work in the above areas as part of our audit planning and will include early findings in these areas in our 2019/20 Management Report.

Best Value

10. The Best Value audit of the Council commenced as planned in October 2019, with field work coming to an end in early January, and the Best Value Assurance Report (BVAR) on schedule for publication in April 2020.

11. The BV audit team are meeting with the Council's Senior Management Team on 24 January 2020 to discuss emerging messages from the work carried out to date.

Grant claims

12. Certified copies of the 2018/19 Non-Domestic Rates Income Return and Tax Incremental Funding Income Return were submitted to Scottish Government on behalf of the Council on 3 October 2019.

13. A certified copy of the Council's 2018/19 Housing Benefit Subsidy Claim was submitted to Department for Work and Pensions on 27 November 2019.

Annual accounts audit

14. We will commence our audit of the Annual Accounts at the end of June 2020 as in previous years but aim to carry out a significant amount of our substantive testing of financial transactions in advance, commencing February 2020. This will help to ensure that the accounts audit work over the summer is completed more efficiently, and that statutory certification deadlines are met; the Annual Accounts are required to be signed off by 30 September 2020.

National Performance Reports

15. 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: Financial overview 2018/19 (December 2019)	Annual overview report providing a high-level independent analysis of the financial performance of councils during 2018/19 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils.	<ul style="list-style-type: none"> • In 2018/19, Scottish council revenue income totalled £17.7 billion, an increase from 2017/18 (£17.3 billion). • Scottish Government revenue funding remains the most significant source of income and this increased by 1.1 per cent in cash terms in 2018/19, a 0.7 per cent decrease in real terms. Since 2013/14, Scottish Government funding to councils has reduced by 7.6 per cent in real terms. • In 2018/19, the funding gap was three per cent of total budget. Councils planned to manage this primarily through savings, though a shortfall in savings achieved meant that more of the funding gap was met from reserves than planned. • Councils are increasingly drawing on their revenue reserves. The net draw on revenue reserves in 2018/19 was £45 million. Twenty-three councils have reduced their general fund reserves over the last three years. • Capital expenditure increased by £62 million (2.3 per cent) to £2.75 billion, with more spent on housing and less on education. • All councils have medium-term financial planning covering three years or more. Long-term financial planning has not improved since last year and more progress is needed. • Councils have made preparations for EU withdrawal but there are many potential implications that cannot be anticipated in financial planning.

16. Revenue financing of assets – Non-profit distributing and Hub models:

Will assess how Scottish Government have managed this investment programme nationally, and how Scottish Government, the Scottish Futures Trust and Hub Companies have supported the public bodies delivering individual projects. Publication now scheduled for Spring 2020.

17. Digital progress in local government: Focussing on whether councils are making best use of digital technologies and methods to transform services and improve outcomes for citizens. Publication now scheduled for Autumn 2020.

18. Affordable Housing: Audit Scotland carried out an audit on Affordable Housing over summer 2019. 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. Argyll and Bute were selected as one of the four case studies informing the findings of this audit. The draft findings are being considered by the Accounts Commission in February 2020, with publication of the final report scheduled for 9 April 2020.

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 2019. The finalised work programme, which is delivered by Audit Scotland on behalf of both the Auditor General for Scotland and Accounts Commission, is available on Audit Scotland's website (<http://www.audit-scotland.gov.uk/our-work/our-work-programme>).

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Update Report – January 2020

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