

Argyll and Bute Council

2020/21 Audit Progress Report



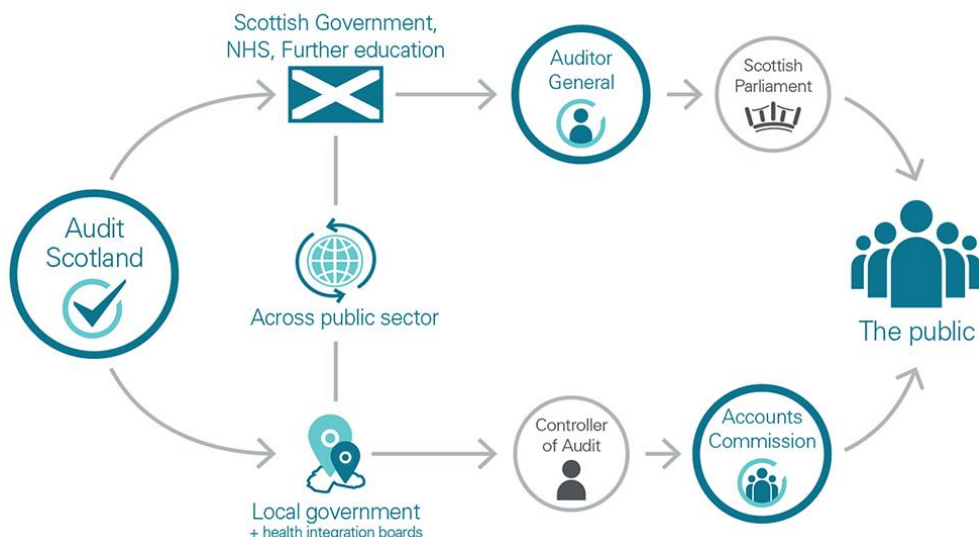
 AUDIT SCOTLAND

Prepared for Argyll and Bute Council Audit and Scrutiny Committee
March 2021

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.

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.

Impact of Covid-19 on the public sector audit

2. Audit Scotland's initial planning assumptions had expected that 2020/21 would have been a transitional year and that we would start to get back to the normal cycle of auditing. However, this is not the case.

3. Audit Scotland issued a briefing paper back in June 2020 on the impact of Covid-19 and this was updated in January 2021. The full text of the briefing paper can be accessed via the following [link](#). It contains several important messages, including:

- In 2020 the deadlines for preparing public bodies' accounts for the 2019/20 year were extended. The extension to audit timetables in 2019/20 means that planning work required for audits of the 2020/21 year has started much later than in previous years.
- There has been significant additional public spending in response to Covid19. A key focus of audit is the governance and outcomes of this funding, as far as they are becoming apparent, or 'following the pandemic pound'.
- Over the past year Audit Scotland has needed to be flexible with its resources to manage the changing timescales and priorities. The world we audit has changed. Audit Scotland is changing to ensure we can continue to deliver high-quality, independent public audit at a time when Scotland's public sector will face greater challenges than at any point since devolution. We are increasing our capacity, infrastructure, and skills, and investing in realising the capabilities in areas such as digital audit. Our approach when necessary, we will be flexible about deadlines to safeguard quality.
- The Accounts Commission have extended the current audit appointments until 2022 to provide continuity and stability in a challenging environment.

4. If anything, 2020/21 is going to be a more challenging year as we seek to deliver a full years audit programme in a much shorter timeframe.

Audit Planning for 2020/21

5. We had hoped to have our 2020/21 audit plan available for consideration at this meeting, but our planning work is behind schedule although we are now making good progress. We are working closely with finance staff to progress the audit and finalise the audit plan which should be available as soon as practicable.

6. We have summarised some of the key points that will feature in our audit plan for members attention.

Audit Fee

7. We have agreed an audit fee of £266,490 for 2020/21 (2019/20: £259,570). This represents an increase of £6,920 or 2.66% from last year.

Internal audit

8. International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible to avoid duplication.

9. Having reviewed internal audit's plans we aim to use internal audit's continuous monitoring work which includes testing of controls within key financial systems. We will use this work wherever possible to avoid duplication of effort and to complement our financial statements' responsibilities. Also, we will consider their assurance work in relation to the Governance Statement that you will be including in your 2020/21 Annual Accounts.

Wider dimensions

10. In terms of our wider dimension responsibilities the focus of our audit work will be to review progress in implementing the action plan which the council approved in response to our Best Value Assurance Report (May 2020). Also, we will be looking at financial sustainability and governance arrangements

Main outputs from the audit

11. As in previous year the main outputs from our audit work in 2020/21 will be:

- Independent auditor's report containing our audit opinions
- Annual Audit Report containing a summary of our findings from all audit activity during the year including our judgements.

Reporting timelines

12. The statutory deadline for certifying the annual accounts has been pushed back to 31 October 2021. There is still considerable uncertainty around the impact of Covid-19 and therefore, our approach when necessary will be flexible. Whilst we will do our best to achieve the statutory deadlines we are unable to make any definitive commitments to meeting them at this early stage of the audit. We will continue our ongoing and regular dialogue with finance staff to ensure they, and we, remain sighted on these challenges.

National Performance Reports / Other publications

13. Several reports have been published by Audit Scotland since the last meeting of the Audit and Scrutiny Committee. The table below provides a summary of the main publications that may be of interest to members including hyperlinks to our website.

Report title	Scope and objectives of the audit	Key messages
Report: Covid-19: What it means for public audit in Scotland (Jan 2021)	This paper restates Audit Scotland's principles and approach during the ongoing Covid-19 pandemic. It also updates progress on our financial and performance audit programmes, and how we are assessing the pandemic's impact on public bodies and reviewing the Scottish public sector's response.	<ul style="list-style-type: none"> Public bodies' accounts for the 2019/20 year were extended. These impacted on timings for audit work and reporting. While almost all audits were completed within the revised deadlines, the extensions mean that the planning work required for audits of the 2020/21 year has started much later than in previous years. Audit Scotland is monitoring developments and guidance which may affect the timelines and scope of 2020/21 accounts. We will issue guidance to auditors as required in due course. There has been significant additional public spending in response to Covid19. Audit Scotland will work with colleagues, including appointed audit firms, to promote consistency of judgement on complex issues. Audit Scotland will maintain audit quality while continuing to be flexible about timelines.
Report: Local government in Scotland: Financial overview 2019/20 (Jan 2021)	This report provides an overview of local government finances in 2019/20.	<ul style="list-style-type: none"> Funding received by councils from the Scottish Government increased by £500 million in 2019/20. Covid-19 will drive large rises in costs and spending, combined with falling income. Councils received higher revenue and capital funding than in previous years but much of the additional funding councils received from the Scottish Government must be used for specific purposes. And capital finance funding will drop by 30 per cent in 2020/21. Looking ahead, Scotland's councils face significant additional pressures due to Covid-19. This includes substantial and ongoing reductions in income, increased

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		<p>costs and the administration of business support grants and other measures of support to their communities during Covid-19.</p> <ul style="list-style-type: none"> • The Commission has also repeated its serious concerns about the financial stability and leadership of Integration Joint Boards (IJBs), the bodies set-up to manage local health and social care services. • Most IJBs couldn't deliver services within their budgets and needed extra money from health boards and councils. There were also changes of chief officer in 12 IJBs, and this leadership instability makes
<p>Report: Digital progress in local government (Jan 2021)</p>	<p>This report looks at how local government is responding to the challenge of delivering services through digital technology.</p>	<ul style="list-style-type: none"> • Responding to Covid-19 has increased the pace at which Scotland's 32 councils are delivering services through digital technology. Greater collaboration, use of shared expertise, citizen engagement and strategic planning are needed, however, to fully realise the potential of digital technology. • Councils are at different stages of digital transformation. The long-term focus should now be on how digital technology can provide better opportunities and services for people across Scotland, with citizens placed at the heart of this process. • Councils have responded to Covid-19 by using technology to ensure many essential council services continue and supported thousands of council staff to work from home. But further progress may be restricted due to a lack of staff with the right skills and insufficient workforce planning. • Careful planning is needed to ensure the expansion of digital services does not widen existing inequalities. • The Commission is clear that the current work of the Scottish Government and COSLA to refresh the national digital

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<p>Report: Covid-19: Tracking the implications of Covid-19 on Scotland's public finances (Feb. 2021)</p>	<p>This briefing is part of a series of work Audit Scotland is undertaking relating to Covid-19 spending and its impact in Scotland. It provides a snapshot of the current position in advance of the Spring Budget Revision to be published by the Scottish Government shortly.</p>	<p>strategy provides an opportunity to drive digital transformation across all Scotland's 32 councils. Strong leadership and co-ordination at a national level is essential, to provide a consistent vision and clear direction.</p> <ul style="list-style-type: none"> • Pressures on the public sector are felt throughout, including the difficulties policing lockdown restrictions, managing the consequences of school closures for children's education, and addressing the backlogs in Scotland's courts. Dealing with the direct consequences of the public health crisis in hospitals has led to delays to non-Covid-19 related treatments, such as cancer referrals. • For now, spending to support people, the economy and public services through the pandemic continues. These interventions will continue into future years as Scotland recovers, and additional funding to this end is reflected in the 2020/21 and 2021/22 budget. • Over 170 Covid-19 related spending announcements have been made to tackle the effect of the pandemic and the uncertainty it brings. These announcements are in addition to UK Government spending commitments that apply to Scotland, such as ongoing furlough support. The Scottish Government has received £9.7 billion of additional funding to the Scottish budget in 2020/21 through the Barnett formula. • The complexity and scale of announcements makes following the public pound difficult. Barnett consequentials in 2020/21 are guaranteed, meaning that funding has been confirmed as available to the Scottish Government before any potential UK Government spending decision that would normally generate them. • This gives the Scottish Government some certainty over funding, but also provides

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		<p>challenges in following how Scottish Government and UK Government spending decisions relate.</p> <ul style="list-style-type: none">• Several different public bodies are distributing the funds across Scotland, including NHS boards, local authorities, and enterprise agencies. Some Scottish Government announcements, such as elements of business support, are demand-led, with underspends being used to fund future announcements

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk