

MEETING: 10 MARCH 2022

MINUTES OF PREVIOUS MEETING

Minutes of the 486th meeting of the Accounts Commission held via 'hybrid' (in-person and online) meeting, in the offices of Audit Scotland at 102 West Port, Edinburgh and online on Thursday 10 and 17 February 2022, at 9.30am.

PRESENT:

- ** William Moyes (in the chair for 17 February)
- * Tim McKay (in the chair for 10 February)
- * Andrew Burns (10 February only)
- ** Andrew Cowie
- ** Sophie Flemig
- ** Stephen Moore
- ** Sharon O'Connor (10 February only)
- ** Sheila Gunn (17 February only)
- ** Geraldine Wooley
- * In person on 10 February
- ** Online

IN ATTENDANCE:

- Paul Reilly, Secretary to the Accounts Commission
- Antony Clark, Interim Controller of Audit and Director of Performance Audit and Best Value (PABV)
- Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (item 18)
- Adam Bullough, Audit Manager, PABV (items 6 and 12)
- Fiona Caffyn, Audit Officer, PABV (item 16)
- Carol Calder, Interim Audit Director, PABV and Secretary to the Strategic Scrutiny Group (items 15, 16 and 19)
- Lynn Conway, Policy and Information Officer, PABV (item 16)
- Cameron Craig, Trainee Auditor, PABV (item 16)
- Maria D'Aria, Audit Officer, PABV (item 14)
- Blyth Deans, Audit Manager, PABV (items 15 and 16)
- John Gilchrist, Manager, AQA (item 18)
- Graeme Greenhill, Senior Manager, PABV (item 13)
- Naomi Hanna, Audit Officer, PABV (item 16)
- Brian Howarth, Audit Director, Audit Services (items 6 and 12)
- Lucy Jones, Senior Auditor, PABV (item 16)
- Jillian Matthew, Senior Manager, PABV (items 6, 12 and 14)
- Mark McCabe, Audit Manager, PABV (item 19)
- Martin McLauchlan, Audit Manager, PABV (item 13)
- Daniel Melly, Auditor, Audit Services (item 8)
- Bernadette Milligan, Audit Manager, PABV (items 15 and 16)
- Claire Richards, Senior Auditor, PABV (items 6 and 12)
- Mark Roberts, Audit Director, PABV (item 13)
- Richard Robinson, Senior Manager, PABV (item 8)
- Owen Smith, Senior Manager, AQA (item 18)
- Mark Taylor, Audit Director, Audit Services (item 8)

<u>Item</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Order of business
4.	Minutes of meeting of 10 December 2021
5.	Audit Scotland Board update
6.	Best Value Assurance Progress Report: Moray Council
7.	Secretary's update report
8.	Scottish Budget briefing 2022/23
9.	Chair's update report
10.	Interim Controller of Audit update report
11.	Any other public business
12.	Best Value Assurance Progress Report – follow-up: Moray Council (in private)
13.	Draft briefing: Scotland's economy: Supporting businesses through the Covid-19 pandemic (in private)
14.	Draft publication: Drug and alcohol services (in private)
15.	* Draft report – Local Government Financial Overview 2020/21 (in private)
16.	* Emerging messages – Local Government Overview 2022 (in private)
17.	Best Value Working Group update (in private)
18.	New audit appointments update (in private)
19.	Strategic Scrutiny Group update (in private)
20.	Any other private business (in private)

* These items were considered on 17 February.

1. Apologies for absence

It was noted that apologies for absence had been received from William Moyes (10 February), Andrew Burns (17 February), Sheila Gunn (10 February) and Sharon O'Connor (17 February).

2. Declarations of interest

The following declarations of interest were noted:

- Andrew Cowie, in items 6 and 12, as a former Her Majesty's Assistant Inspector of Constabulary and former Chief Officer of Police Scotland, and thus previously involved in partnership working with Moray Council. Mr Cowie did not take part in consideration of these items.
- Christine Lester, in items 6 and 12, as a council tax payer in the Moray Council area, former Vice-Chair of NHS Grampian Board, and Chair of Moray Integration Joint Board, and thus previously involved in partnership working with Moray Council. Ms Lester did not take part in consideration of these items.
- Geraldine Wooley, in items 15 and 16, as a member of Fife Valuation Appeals Committee, in relation to references to local government funding.

3. Order of business

It was agreed that the following items be considered in private:

- Item 12, as it requires the Commission to consider actions in relation to a report by the Interim Controller of Audit. The Commission is then obliged by statute to inform the appropriate council of its decisions, which the Commission does before making the decision public.
- Items 13 to 15, as they propose draft publications which the Commission is to consider in private before publishing.
- Item 16, as it requires the Commission to consider emerging messages from an overview report which may require consideration of confidential audit matters in advance of further audit work.
- Items 17 and 18, as they may require the Commission to consider confidential policy, commercial and contractual matters.
- Item 19, as it requires the Commission to consider matters in relation to strategic scrutiny planning, which may require consideration of confidential policy matters.
- Item 20, as it may require the Commission to consider confidential policy matters.

The Chair advised that there was no business for item 20.

4. Minutes of meeting of 10 December 2021

The minutes of the meeting of 10 December 2021 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 8, fourth bullet point, noted advice from the Secretary that the 2021 Statutory Performance Information Direction was published and sent to councils on 21 December.

- In relation to item 10, third bullet point, noted advice from the Secretary that he had recently shared with members for further discussion a proposed review of the audit sponsor role.
- In relation to item 10, seventh bullet point, noted advice from the Interim Controller of Audit that he was discussing with the Commission Support Team how to develop the longer-term planning of the work programme and how this is presented to the Commission.
- In relation to item 10, eleventh bullet point, noted advice from the Interim Director of PABV that Audit Scotland colleagues had met with Sophie Flemig and Geraldine Wooley, as sponsors of work relating to early learning and childcare, about proposals for future work in this area, including the potential impact of recent policy developments and future study advisory group membership.
- In relation to item 10, twelfth bullet point, noted advice from the Interim Director of PABV that the updated work programme had been agreed by the previous Interim Chair and the Interim Deputy Chair at a joint meeting with the Auditor General on 16 December.
- In relation to item 10, final bullet point, noted advice from the Secretary that he would report to the Commission's March meeting on the outcome of the local government stakeholder consultation on the work programme.
- In relation to item 11, noted advice from the Secretary that responses to all of the consultation exercises listed had been shared with members.
- In relation to item 11, bullet 3, noted advice from the Interim Director of PABV that action had been taken to follow up with relevant Scottish Government officials and the Convention of Scottish Local Authorities (COSLA) on issues raised at the recent jointly hosted online event with the Improvement Service on the Commission's performance audit *Improving outcomes for young people through school education*.
- In relation to item 11, bullet 4, noted advice from the Interim Director of PABV that:
 - Consideration was being given to the issues raised with the Strategic Scrutiny Group by Bruce Adamson, Children and Young People's Commissioner, Scotland as part of Audit Scotland's ongoing work on developing approaches for involving citizens and service users in audit work.
 - In response to a specific query from Sophie Flemig, that he was monitoring the position in relation to Scotland's proposed adoption of the UN Convention on the Rights of the Child (UNCRC) and considering what implications it might have for future approaches to audit work.
- In relation to item 17, noted advice from the Interim Director of PABV that the social care briefing had been published on 27 January.

5. Audit Scotland Board update

The Commission considered a report by the Secretary providing an update on the business of the Audit Scotland Board.

Following discussion, the Commission noted the report.

6. Best Value Assurance Progress Report: Moray Council

The Commission considered a report by the Secretary presenting the Interim Controller

of Audit's Best Value Assurance Progress Report on Moray Council.

The Commission raised several questions and points of clarification from the Interim Controller of Audit and his team on his report in the following areas:

- Covid-19 pandemic related funding (Stephen Moore).
- Elected member relations and leadership (Sharon O'Connor).
- Culture of improvement (Geraldine Wooley).
- Implementation of the Improvement and Modernisation Programme (Andrew Burns).
- Implementation of the review of governance (Tim McKay).
- Educational attainment and poverty (Sophie Flemig).

Following discussion, the Commission agreed to consider in private how to proceed.

7. Secretary's update report

The Commission considered a report by the Secretary providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

The Commission noted advice from the Secretary that, in line with the approach agreed with Commission members, members had been given the opportunity to provide queries on the Secretary's report in advance of the meeting, a response to which he would circulate to members.

During discussion, the Commission:

- In relation to paragraph 37, noted advice from Stephen Moore that he was disappointed that the terms of reference for the forthcoming public inquiry into the handling of Covid 19 in Scotland did not include reference to the impact on people with disabilities.
- In relation to paragraph 46, in response to a query from Stephen Moore, noted advice from the Interim Director of PABV that matters relating to the performance of child and adolescent mental health services would continue to be monitored and thought given as to how it features in the work programme.
- In relation to paragraph 57, noted advice from Stephen Moore that he will consider how the National Improvement Framework for Scottish Education could feature in the proposed work by the Commission on additional support needs, of which he is sponsor.

Following discussion, the Commission:

- Noted the progress of climate change work outlined in paragraph 14 of the report.
- Noted the proposed delay to the publication of the performance audit of Scotland's financial response to Covid-19, to be considered by the Performance Audit Committee at its February meeting.
- Noted the responses to consultations and inquiries highlighted in paragraph 17 of the report.
- Agreed the approach to various consultations as proposed in paragraph 38 of the report.

Action: Secretary and Interim Director of PABV

- Noted the report.

8. Scottish Budget briefing 2022/23

The Commission considered a briefing by the Interim Director of PABV on the Scottish Government's Budget for 2022/23, highlighting some of the key implications for local government finances.

During discussion, the Commission:

- Noted advice from the Interim Director, in response to a query from Christine Lester, that he would liaise with COSLA on what information is available from its discussions with the Scottish Government on the local government financial settlement.

Action: Interim Director of PABV

- Noted advice from the Secretary and Interim Director, in response to a query from Sharon O'Connor, that they would consider ways of further informing the Commission's position on ring-fenced funding, including for example at the Commission's Strategy Seminar.

Action: Secretary & Interim Director of PABV

- Noted advice from the Interim Director, in response to a query from Andrew Cowie, that the Auditor General was planning to publish a performance audit later in the year on the implementation of devolved social security powers.

- Agreed, following a query from Tim McKay, that the Interim Director provide further information on the breakdown funding of health and social care integration, including references in the Budget to the proposed National Care Service.

Action: Interim Director of PABV

Following discussion, the Commission noted the report.

9. Chair's update report

The Commission considered and noted a report by the Chair providing an update on recent and upcoming activity.

The Commission also noted advice from the Secretary that the Commission Chair was seeking views from members on how he undertakes such reporting in future.

10. Interim Controller of Audit update report

The Commission considered and noted a report by the Interim Controller of Audit providing an update on recent and upcoming activity.

The Commission also noted advice from the Interim Controller, in response to a query from Sophie Flemig, that members were welcome to discuss with him the detail of any of the meetings in his report, and in particular any third sector organisations which it might be useful for the Interim Controller to engage with, beyond those set out in his report.

11. Any other public business

The Chair, having advised that there was no further business for this item, closed the public part of the meeting.

The livestream of the meeting was stopped at this point.

12. Best Value Assurance Progress Report – follow-up: Moray Council (in private)

The Commission discussed how to proceed in relation to the Interim Controller of Audit's Best Value Assurance Progress Report on Moray Council.

Following discussion, the Commission agreed to make findings to be published on 3 March.

13. Draft briefing: Scotland's economy: Supporting businesses through the Covid-19 pandemic (in private)

The Commission considered a report by the Interim Director of PABV proposing a draft briefing, in conjunction with the Auditor General, on *Supporting businesses through the Covid-19 pandemic*, and proposing the process for finalising, publishing and promoting the report.

Following discussion, the Commission:

- Approved the draft briefing, to be published on 17 March, subject to the drafting team considering, in conjunction with the sponsors Geraldine Wooley and William Moyes, points raised in discussion.
- Agreed the proposals for publishing and promoting the briefing.
- Agreed that proposals on future work on economic planning and recovery be considered as part of the future work programme updates.

Actions: Interim Director of PABV

14. Draft publication: Drug and alcohol services (in private)

The Commission considered a report by the Interim Director of PABV proposing a draft joint publication, in conjunction with the Auditor General, on drug and alcohol services, and proposing the process for finalising, publishing and promoting the report.

Following discussion, the Commission:

- Approved the draft briefing, to be published on 8 March, subject to the drafting team considering, in conjunction with the sponsors Christine Lester and Stephen Moore, points raised in discussion.
- Agreed the proposals for publishing and promoting the briefing.

Actions: Interim Director of PABV

15. * Draft report – Local Government Financial Overview 2020/21 (in private)

The Commission considered a report by the Interim Director of PABV proposing a draft report for the Local Government Financial Overview 2020/21, and the process for finalising, publishing and promoting the report.

During discussion, the Commission:

- Noted advice from the Interim Director that Andrew Burns had provided comments outwith the Commission meeting which he had addressed.

Following discussion, the Commission:

- Approved the draft Local Government Financial Overview 2020/21 report, to be published on 10 March, subject to the drafting team considering, in conjunction

with the sponsors William Moyes and Tim McKay, points raised in discussion.

- Agreed the proposals for publishing and promoting the report.

Actions: Interim Director of PABV

- Noted advice from the Chair that he would discuss with the Commission the future strategy for overview reporting.

Action: Secretary

16. * Emerging messages – Local Government Overview 2022 (in private)

The Commission considered a report by the Interim Director of PABV presenting the emerging messages for the Local Government Overview 2022 report.

During discussion, the Commission:

- Noted advice from the Interim Director that Andrew Burns had provided comments outwith the Commission meeting which he had addressed.
- Noted the consideration being given by the audit team and Commission Support Team to ensuring awareness of the report amongst newly elected councillors following the local government elections in May 2022.

Following discussion, the Commission agreed:

- To endorse the emerging messages, structure and tone of the report, subject to some revisions and other points to be addressed by the report team in conjunction with the report sponsors, William Moyes and Tim McKay.
- Agreed that a draft report be brought to the Commission meeting in April 2022 prior to publication in May 2022.
- That the proposed publication and promotion strategy be considered at its meeting in April 2022.

Action: Secretary

17. Best Value Working Group update (in private)

The Commission considered a report by the Secretary providing an update on the work of the Best Value Working Group (BVWG) and seeking agreement to the approach to identifying Best Value auditing work in councils and Integration Joint Board (IJBs) from 2022/23 as proposed by the Interim Director of PABV and Interim Controller of Audit.

Following discussion, the Commission:

- Noted the latest conclusions of the BVWG.
- Agreed the proposals set out by the Interim Director and Controller of Audit on the approach to identifying Best Value auditing work in councils and IJBs from 2022/23, including principles for report scheduling and a process for identifying Best Value themed work.

Action: Interim Director of PABV and Controller of Audit

- Noted the quality assurance processes in place in Audit Scotland in relation to Best Value auditing work.
- Noted that wider matters on quality assurance in relation to Best Value auditing and the integrated audit will be considered further by the BVWG

- Noted advice from the Secretary, following a point by Geraldine Wooley, that the Commission will be considering many outputs and proposals from the BVWG at future meetings.
- Noted further advice in this regard from the Secretary that such proposals will include format of Controller of Audit reports, and (in response to a point by Sophie Flemig) wider matters in relation to accessibility of reporting.

18. New audit appointments update (in private)

The Commission considered a report by the Associate Director, Audit Quality and Appointments, providing an update on the new audit appointments project and next steps with the work.

During discussion, in response to a query from Geraldine Wooley, the Commission noted advice from the Secretary that information on successful bidders was to be shared with Commission members.

Following discussion, the Commission noted the report and that it would consider further updates at its March and April meetings.

19. Strategic Scrutiny Group update (in private)

The Commission considered a report by the Secretary to the Strategic Scrutiny Group (SSG) providing an update on the recent work of the SSG.

During discussion, the Commission noted advice from the Secretary to the Strategic Scrutiny Group that the Commission Chair was meeting SSG members individually and collectively to discuss the purpose and strategic direction of the group.

Following discussion, the Commission noted the report.

20. Close of meeting

The meeting closed at 2.30pm.

MEETING: 10 MARCH 2022

REPORT BY: SECRETARY TO THE COMMISSION

MINUTES OF MEETINGS OF COMMISSION COMMITTEES OF 24 FEBRUARY 2022

Introduction

1. This paper presents for the Commission’s approval the draft minutes of the meetings of the Commission’s two committees on 24 February 2022.
2. The Commission is also asked to consider approving the recommendations made by both committees to the Commission, as detailed below.

Minutes

3. The minutes attached are as follows:
 - Financial Audit and Assurance Committee (FAAC) Appendix 1
 - Performance Audit Committee (PAC) Appendix 2
4. The Commission is asked to approve these minutes and consider any matters arising.

Recommendations

5. In approving the minutes of the committees, the Commission is deemed to be endorsing the decisions reached by the committees, subject to approving any specific recommendations.

Financial Audit and Assurance Committee

6. The FAAC agreed to make the following specific recommendations to the Commission:
 - That the Commission’s approach to its self-evaluation be considered as part of the Strategy Seminar (paragraph 3 of the minute).
 - That the Commission respond to the emergency consultation by the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board (CIPFA/LASAAC) on proposals by the Department for Levelling Up, Housing and Communities (DLUHC) on accounting requirements in the light of continuing delays in competing local audits in England (paragraph 6).
 - That the Commission response reflect that:
 - It does not agree with the proposal from CIPFA/LASAAC that accounts preparers should have the option to pause professional revaluation of property, plant and equipment.
 - It does not agree with the CIPFA/LASAAC proposal that preparers should have the option to pause revaluation and adopt an indexation approach.
 - It does not support further deferral of implementation of International

Financial Reporting Standard 16 on lease accounting, as proposed by CIPFA/LASAAC.

- That the Commission encourage appointed auditors to liaise with their audited body to draw attention to the emergency consultation.
7. The Commission is asked to note that given the short timescale involved in the consultation, the Commission Chair implemented these recommendations on the Commission's behalf. The Commission is therefore asked to agree retrospectively to this action.

Performance Audit Committee

8. The PAC agreed to make the following specific recommendations to the Commission:
- That it consider its definition of and approach to human rights (paragraph 4 of the minute).
 - That it consider how to apply a 'stress testing' approach to public services in relation to the financial and social impact of Covid-19 (paragraph 4).
 - That it consider public involvement and participation in audit work (paragraph 4).
 - That it consider the effect on its audit reporting and its responsibilities of the United Nations Convention on the Rights of the Child (paragraph 4).
 - That it continue to monitor the effect of the planned reform of social care on relationships between local government, Scottish Government and the third sector (paragraph 4).
 - That its work be provided to public inquiries at Scottish and UK levels into the impact of the Covid-19 pandemic (paragraph 5).
 - That Stephen Moore has authority to agree the final blog on additional support needs (paragraph 7).
 - That Andrew Burns and Sophie Flemig have authority to agree the approach to the briefing paper on child poverty, along with the Auditor General (paragraph 7).

Conclusion

9. The Commission is asked to:
- a) Approve the attached minutes and consider any matters arising.
 - b) Agree the committee recommendations in paragraphs 6 to 8.
 - c) Note any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
2 March 2022

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE
OF 24 FEBRUARY 2022**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held via online meeting on Thursday 24 February 2022 at 9.15am.

PRESENT: Tim McKay (Chair)
Andrew Cowie
William Moyes
Geraldine Wooley

OTHER COMMISSION
MEMBERS IN ATTENDANCE: Christine Lester

IN ATTENDANCE: Paul Reilly, Secretary to the Account Commission
Antony Clark, Interim Controller of Audit
Fiona Kordiak, Director of Audit Services (item 5)
Anne MacDonald, Senior Audit Manager, Audit Services
(item 4)
Paul O'Brien, Senior Manager, Performance Audit and Best
Value (PABV) (items 5 and 6)
Gillian Woolman, Audit Director, Audit Services (item 6)

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 25 November 2021
4. Current issues from the local authority audits
5. Accounting and auditing developments
6. Accounting code implications arising from delays in local audit in England
7. Risk assessment and implications for the work programme
8. Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Sharon O'Connor.

2. Declarations of interest

The following declaration of interest was made:

- Geraldine Wooley, in items 5 and 6, as a member of Fife Valuation Appeals Committee and as a member of the Royal Institution of Chartered Surveyors, in relation to references to non-domestic rates.

3. Minutes of meeting of 25 November 2021

The minutes of the meeting of 25 November 2021 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein.

The Committee noted that at that meeting, the Committee Chair had thanked Pauline Weetman for her service to the Committee as a Chair and member.

Arising therefrom, the Committee:

- In relation to paragraph 5 (second and third bullet points), noted advice from the Secretary that information on (i) decisions taken by the Standards Commission in relation to Fife Council; and (ii) analysis of intelligence covering the current elected council term, would be provided in the intelligence report scheduled for the next meeting of the Committee.
- In relation to paragraph 6 (sixth bullet point), noted advice from Andrew Cowie on the importance to the Commission of ensuring that it can provide assurance to stakeholders on its approach to self-evaluation, to show consistency with its requirements on councils in this regard as set out in the Statutory Performance Information Direction.
- Agreed further in this regard to recommend to the Commission that this matter be considered as part of the Strategy Seminar.

Action: Secretary

4. Current issues from the local authority audits

The Committee considered a report by the Interim Controller of Audit providing a summary of emerging issues and recurring themes across local authorities in Scotland.

During discussion, the Committee:

- Noted advice from the Interim Controller of Audit on his monitoring and ongoing liaison with the appointed auditor of South Ayrshire Council in relation to concerns raised in whistleblowing correspondence about additional responsibility allowances and severance packages paid to two former employees, upon which he would report further.
- Noted advice from the Interim Controller of Audit on his monitoring and ongoing liaison with the appointed auditor of Comhairle nan Eilean Siar in relation to correspondence received about the process through which senior council officers were appointed as Depute Monitoring Officers under the Local Government and Housing Act 1989, upon which he would report further.
- Noted, in response to a point made by Geraldine Wooley, the Commission's

interest in capacity in councils and associated workforce planning issues, including in particular relating to finance staff, to be considered in the context of its work programme.

Action: Interim Director of PABV

Following discussion, the Committee:

- Noted the report, taking assurance that the auditors' responses detailed in the report recognises the scope of the risk identified and reflects the impact on planned audit work.
- Agreed in particular not to recommend to the Commission to direct the Interim Controller of Audit on any matters arising.
- Noted that it would consider under item 7 matters and issues arising from this paper which affect either the business risks of the Commission or audit risk (and thus the planned audit response set out in the work programme).

5. Accounting and auditing developments

The Committee considered a report by the Director of Audit Services on accounting and auditing developments since the previous meeting of the Committee.

Following discussion, the Committee:

- Noted the report, in particular minor wording changes to the model form of Independent Auditor's Reports to be used by appointed auditors for 2021/22 audits, the technical guidance on which will be made to members once available.

Action: Senior Manager, PABV (Paul O'Brien)

- Noted that it would consider under item 7 matters and issues arising from this report which affect either the business risks of the Commission or audit risk (and thus the planned audit response set out in the work programme).

6. Accounting code implications arising from delays in local audit in England

The Committee considered a report by the Audit Director, Audit Services Group advising of continuing significant delays in completing local audits in England and how this is impacting on the work of the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board (CIPFA/LASAAC), on which Audit Scotland is represented, and in particular advising of an emergency consultation by CIPFA/LASAAC in this regard.

Following discussion, the Committee:

- Noted the commitment by CIPFA/LASAAC to maintain a high standard of financial reporting for local government that secures a true and fair view in accounts.
- Agreed to recommend to the Commission that it respond to the CIPFA/LASAAC emergency consultation reflecting that:
 - It does not agree with the proposal from CIPFA/LASAAC that accounts preparers should have the option to pause professional revaluation of property, plant and equipment.
 - It does not agree with the proposal from CIPFA/LASAAC that preparers

should have the option to pause revaluation and adopt an indexation approach.

- It does not support further deferral of implementation of International Financial Reporting Standard 16 on lease accounting, as proposed by CIPFA/LASAAC.

Action: Secretary

- Agreed to recommend to the Commission that it encourage appointed auditors to liaise with their audited body to draw attention to the emergency consultation.

Action: Secretary

- Noted advice from the Secretary that given the short timescale involved in the consultation, the Commission Chair will implement these recommendations on the Commission's behalf, to be agreed retrospectively by the Commission thereafter at its March meeting.

Action: Secretary

Following discussion, the Committee noted the report.

7. Risk assessment and implications for the work programme

The Committee considered a report by the Secretary providing an updated assessment on business and audit risk.

Following discussion, the Committee:

- Agreed the assessment of the controls in place in relation to business risk, subject to:
 - Noting developments in relation to the Commission member development programme, and agreeing that the risk assessment updated accordingly (point raised by Andrew Cowie).
 - Noted further in this regard advice from the Commission Chair on the importance he places in the member development programme in relation to the future shaping of the Commission.
 - Increasing the level of risk assessment in relation to Commission strategy and in particular reporting on Best Value in relation to health and social care and in particular integration joint boards, thus reflecting the Scottish Government's plans for a National Care Service (Christine Lester).
 - Noted further in this regard advice from the Interim Controller of Audit of forthcoming discussions by the Best Value Working Group on this matter.
 - Noting advice from the Secretary, in response to a query from Geraldine Wooley, that he would consider how to refine the reporting of changes to levels of risk.

Actions: Secretary

- Agreed the assessment of the audit response in place in relation to audit risk, subject to:
 - Noting developments in relation to the ongoing consultation by the Scottish Government on its plans for a National Care Service, and how these developments increase risk in the audit response in this regard, particularly on risks around collaborative working and service redesign (Andrew Cowie).

- Increasing the risk assessment in relation to workforce planning and ensuring clear reference to council capacity, in line with item 4 (third bullet point) above. (Geraldine Wooley)
- Increasing the risk assessment in relation to council leadership both in the run-up to and after the forthcoming local government elections (Geraldine Wooley).
- Agreed that more consistency be applied between the structure of reports to the Committee, particularly item 4, and audit risks (William Moyes).

Action: Secretary

- Noted further in this regard from the Secretary that he would be discussing further with Audit Scotland how to have more consistency between the risk categorisation approach by Audit Scotland and by the Commission.
 - Noted further in this regard advice from the Interim Controller of Audit on risks and proposals included in his Annual Assurance and Risks Report, to be considered by the Commission at its March meeting.
- Agreed that there was no specific action required to inform the next refresh of the work programme at the Commission's March meeting.
 - Agreed nevertheless that the Interim Director of PABV reflect on the audit risk reassessments set out above in relation to the work programme.

Action: Interim Director of PABV

8. Any other business

The Committee Chair advised that this would be last meeting of the Committee attended by Fiona Kordiak, Director of Audit Services, who would be leaving Audit Scotland in March. He thanked her for her work with the Committee and the Commission as a whole, and conveyed best wishes to her. In turn, Fiona thanked the Committee for their engagement with her.

The Chair then having advised that there was no further business for this item closed the meeting.

Close of meeting

The meeting finished at 10.50am.

**MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE
OF 24 FEBRUARY 2022**

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held via online meeting on Thursday 24 February 2022, at 11.15am.

PRESENT: Christine Lester (Chair)
Andrew Burns
Sophie Flemig
Sheila Gunn
Stephen Moore
William Moyes

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Antony Clark, Interim Director of Performance Audit and Best Value (PABV)
Douglas Black, Audit Manager, PABV (item 7)
Fiona Brannigan, Senior Auditor, PABV (item 6)
Corrinne Forsyth, Senior Auditor, PABV (item 7)
Mark MacPherson, Senior Manager, PABV (item 7)
Ashleigh Madjitey, Audit Manager, PABV (Item 5)
Carolyn McLeod, Audit Director, PABV (item 7)
Tricia Meldrum, Senior Manager, PABV (item 7)
Mark Roberts, Audit Director, PABV (item 4)
Richard Robinson, Senior Manager, PABV (Item 5)
Sally Thompson, Audit Manager, PABV (item 6)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 25 November 2021
4.	Cluster briefing: Themes and impact on the work programme
5.	Emerging messages: Performance audit – Scotland’s financial response to Covid-19
6.	Scope: Local government climate change briefing
7.	Forthcoming Justice, Education and Lifelong Learning cluster outputs
8.	Risk assessment and implications for the work programme
9.	Any other business

1. Apologies for absence

It was noted that Sharon O'Connor had submitted her apologies for being unable to attend the meeting in relation to item 6.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 25 November 2021

The minutes of the meeting of 25 November 2021 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein, subject to noting that Sheila Gunn had been present at the meeting.

4. Cluster briefing: themes and impact on the work programme

The Committee considered a report by the Interim Director of PABV proposing consideration of themes emerging from policy cluster briefings that it considered over the past year, potential future themes for briefings, and how the themes that have emerged through the briefings might be reflected in the forward work programme.

Following discussion, the Committee:

- Agreed, in response to a point from Stephen Moore, to recommend to the Commission that it consider its definition of and approach to human rights.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point from Stephen Moore, to recommend to the Commission that it consider how to apply a 'stress testing' approach to public services in relation to the financial and social impact of Covid-19.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point from Sophie Flemig, to recommend to the Commission that it consider public involvement and participation in audit work.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point from Sophie Flemig, to recommend to the Commission that it consider the effect on its audit reporting and its responsibilities of the United Nations Convention on the Rights of the Child.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point from Sophie Flemig, to recommend to the Commission that it continue to monitor the effect of the planned reform of social care on relationships between local government, Scottish Government and the third sector.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point by Andrew Burns, that further briefings be considered relating to the impact on councils and integration joint boards of economic and financial risks and issues as noted in the report.

Action: Interim Director of PABV

5. Emerging messages: Performance audit – Scotland's financial response to Covid-19

The Committee considered a report by the Interim Director of PABV proposing the

emerging messages from the performance audit, in conjunction with the Auditor General, on Scotland's financial response to Covid-19, providing an update on progress made to the audit to date and proposing the next steps.

During discussion, the Committee:

- Agreed, in response to a point made by Stephen Moore and William Moyes, to recommend to the Commission that its work be provided to public inquiries at Scottish and UK levels into the impact of the Covid-19 pandemic.

Action: Secretary

- Agreed, in response to a point from William Moyes, the importance of the public as the core audience in the promotion of the report.

Action: Secretary and Interim Director of PABV

Following discussion, the Committee:

- Endorsed the emerging messages set out in the report, subject to the audit team addressing in conjunction with the sponsors, Sophie Flemig and Sheila Gunn, the points raised in discussion.
- Agreed that a draft audit report be brought to the Commission meeting in April 2022, prior to publication in June 2022.

Actions: Interim Director of PABV

6. Scope: Local government climate change briefing

The Committee considered a report by the Interim Director of PABV seeking approval of the proposed scope of a briefing on local government's strategic approach and commitments for addressing climate change and moving towards net zero.

Following discussion, the Committee approved the scope and timing of the briefing, to be published in August 2022, subject to the audit team addressing in conjunction with the sponsors, Andrew Burns and Sharon O'Connor, the points raised in discussion.

Action: Interim Director of PABV

7. Forthcoming Justice, Education and Lifelong Learning cluster outputs

The Committee considered a report by the Interim Director of PABV proposing governance arrangements for two upcoming Justice, Education and Lifelong Learning cluster outputs, namely a blog on additional support needs and a joint briefing with the Auditor General for Scotland on child poverty.

Following discussion, the Committee:

- Agreed the aims and proposed approach to the blog on additional support needs as set out in the report.
- Agreed the potential aim and areas to cover in the briefing paper on child poverty as set out in the report, to be agreed with the sponsors Andrew Burns and Sophie Flemig and the Auditor General.
- Agreed to recommend to the Commission that Stephen Moore has authority to agree the final blog on additional support needs.
- Agreed to recommend to the Commission that Andrew Burns and Sophie Flemig have authority to agree the approach to the briefing paper on child poverty, along with the Auditor General.

Actions: Interim Director of PABV

8. Risk assessment and implications for the work programme

The Committee considered a report by the Secretary providing an updated assessment on business and audit risk.

Following discussion, the Committee:

- Agreed the assessment of the controls in place in relation to business risk, subject to:
 - Ensuring, reflection and reporting of the readiness of the Commission and the public sector to a future significant event like the Covid-19 pandemic (in relation to item 5 above) (point raised by Sheila Gunn).

Action: Secretary
- Agreed the assessment of the audit response in place in relation to audit risk.

Action: Secretary
- Agreed that thought be given on how to introduce an assessment of mitigation into future risk reporting. (point raised by Sophie Flemig).

Action: Secretary
- Agreed that future reporting of audit risk include reference to work by scrutiny partners and the Improvement Service (Stephen Moore).

Action: Secretary
- Agreed that there was no specific action required to inform the next refresh of the work programme at the Commission's March meeting.
- Agreed nevertheless that the Interim Director of PABV reflect on the audit risk reassessments set out above in relation to the work programme.

Action: Interim Director of PABV

9. Any other business

The Committee Chair, having advised that there was no business for this item, closed the meeting.

10. Close of meeting

The meeting finished at 12.45pm.

MEETING: 10 MARCH 2022

REPORT BY: SECRETARY TO THE COMMISSION

STATUTORY REPORT – ORKNEY AND SHETLAND VALUATION JOINT BOARD

Purpose

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's statutory report on a matter arising from the 2020/21 audit of the Orkney and Shetland Valuation Joint Board ('the VJB').

Orkney and Shetland Valuation Joint Board

2. The VJB is an independent body, established by the Valuation Joint Boards (Scotland) Order 1995. Its primary purpose is to discharge all the functions of its two constituent councils, Orkney Islands Council and Shetland Islands Council, as required by legislation relating to the Valuation Roll and the Council Tax Valuation List.

The Controller of Audit's report

3. The Controller of Audit's report draws attention to matters identified by the appointed auditor in his 2020/21 annual audit report on the VJB. The auditor issued an unqualified opinion on the financial statements but identified significant issues in relation to governance and decision-making at the VJB, some aspects of which had been reported in previous annual audit reports. In particular, the appointed auditor highlights concerns about the way in which the VJB managed the contracts and pay awards for the Assessor – the most senior member of staff at the VJB – and the Depute Assessor, who was employed on a consultancy basis.
4. The report is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
5. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - the accounts of local authorities audited under the Act;
 - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
 - the performance by a local authority of their statutory duties in relation to best value and community planning.
6. A copy of the report is being sent to the VJB, which is obliged to supply a copy to each member of the Board and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the VJB it is effectively in the public domain.

Procedure

7. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - direct the Controller of Audit to carry out further investigations
 - hold a hearing
 - state its findings.
8. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
9. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
10. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the VJB of its decision, which the Commission does before making the decision public.

Conclusion

11. The Commission is invited to:
 - a) consider the Controller of Audit's statutory report on a matter arising from the 2020/21 audit of the Orkney and Shetland Valuation Joint Board; and
 - b) decide in private how it wishes to proceed.

Paul Reilly
Secretary to the Commission
1 March 2022

The 2020/21 audit of Orkney and Shetland Valuation Joint Board

Report on governance and decision-making

ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
March 2022

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Executive summary

Background

1. The Orkney and Shetland Valuation Joint Board ('the VJB') is an independent body, established by the Valuation Joint Boards (Scotland) Order 1995. Its primary purpose is to discharge all the functions of its two constituent councils, Orkney Islands Council and Shetland Islands Council, as required by legislation relating to the Valuation Roll and the Council Tax Valuation List.
2. The VJB is governed by a Board, comprising up to ten councillors from each of the constituent councils (five from each). It has 15 full-time equivalent posts and, in 2020/21, a budget of £809,000. The VJB is funded by the two constituent councils.
3. I have received the annual audit report and financial statements for the VJB for 2020/21. The auditor has issued an unqualified opinion on the financial statements but has identified significant issues in relation to governance and decision-making at the VJB, some aspects of which have been reported in previous annual audit reports.
4. In his report, the appointed auditor highlights concerns about the way in which the VJB managed the contracts and pay awards for the Assessor – the most senior member of staff at the VJB – and the Depute Assessor, who was employed on a consultancy basis. While some of the issues described in the annual audit report took place after the end of the financial year, the nature of the issues brought them within the scope of the annual audit.
5. I submit this report under section 102(1) of the Local Government (Scotland) Act 1973 as a matter that the Controller of Audit considers should be brought to the attention of the Accounts Commission for Scotland.

Annual audit report 2020/21

6. The VJB has generally done well in delivering to budget and in meeting its performance targets. However, the appointed auditor's annual audit report highlighted concerns in relation to financial sustainability, governance, leadership, procurement, and aspects of Best Value.
7. Some of these concerns had been the subject of commentary in previous annual audit reports but there were two specific issues highlighted in the 2020/21 annual audit report that were of particular concern to the auditor.

Key issues

8. The first issue related to the Assessor's contract. Where VJB business is to be transacted – decisions taken and/or actions agreed – a meeting must be convened under sections 50A to 50D of the Local Government (Scotland) Act 1973. A decision to extend the Assessor's contract was taken at a meeting of

the Board of the VJB which had not been properly convened. This rendered the decision and meeting unlawful. While the decision was ratified at a subsequent, formal meeting of the Board, there was no reference to the unlawful meeting nor to the fact that the contract had already been extended by the time the decision was taken. There appears to have been a reasonable basis for holding the discussions on extending the Assessor's contract, but no clear justification for not holding a formal meeting of the Board to do so. As a consequence of the unlawful nature of the Board meeting at which the initial decision was taken, subsequent actions relating to the offer of a contract extension on improved terms to the Assessor and the processing of changes to his pay were themselves unlawful.

9. Secondly, the Depute Assessor's hourly pay rate was increased without being subject to appropriate scrutiny, including an assessment of value for money. The Depute Assessor was not a direct employee of the VJB. He was engaged as a consultant and paid an hourly rate. Between December 2015 and April 2021, the hourly rate paid to the consultant increased five times (January 2017; January 2019; November 2019; September 2020; April 2021), by 400 per cent in total.

10. These issues resulted from failures in governance and poor decision-making but can also be linked to weaknesses in medium-term financial and workforce planning. The remainder of this report provides further detail on these issues and on progress made by the VJB since the end of the financial year to address the issues identified by the appointed auditor in their 2020/21 annual audit report.

Key issues in 2020/21

The Assessor's contract arrangements

11. The VJB appointed the Assessor in 2015. In February 2020, the Assessor submitted his resignation to the Board, citing concerns regarding the ongoing Depute Assessor vacancy and the salary levels for both the Depute Assessor and Assessor roles. The Assessor offered to withdraw his resignation – with conditions – on 12 March 2020, subject to the Board approving an immediate increase to the Assessor and Depute Assessor salaries. On 29 April 2020, the Board rejected this but also decided not to begin a recruitment exercise or consider alternative options for the position. The Board requested that the Assessor ‘extend’ his notice period, “on a rolling monthly basis, until such time as the review of salary, terms and conditions has been completed and presented to the Board.” This was accepted by the Assessor.

12. The Board commissioned an independent pay and grading review, applicable to the whole organisation, which was undertaken in 2020. The Board considered the results of the pay and grading review in May 2021, and subsequently implemented changes, which it determined should apply from April 2021. The changes resulted in an increase in the Assessor's salary, from £75,839 to £79,200. The pay and grading review also proposed a reduction in working hours for all staff of the VJB (from 37 hours per week to 35 hours per week), including the Assessor.

13. In April 2021, the Assessor notified the Board of his intention to retire in October 2021. The Board awaited the results from the pay and grading review to inform the recruitment process for the Assessor's position. In June 2021, the Board advertised the Assessor's post, on the new terms determined by the pay and grading review. One applicant proceeded to interview, but the Board determined that the applicant did not meet the necessary requirements for the role. The recruitment period ended on 6 August, with no successful appointment.

14. On 20 August 2021, the Clerk issued an invite to Board members to attend a meeting on 6 September, to discuss recruitment options to replace the Assessor. This meeting was not publicly announced, and no agenda was published setting out the business to be considered or that the matters were exempt from being considered in public by virtue of their confidential nature, contrary to sections 50A to 50D of the Local Government (Scotland) Act 1973. There were no minutes of the meeting, again contrary to those provisions, and so no formal record of attendance, though Board members did attend. While there is no impediment to holding any meeting of the Board, a decision was taken by those present to offer the Assessor a new contract. The fact that the meeting was not properly convened rendered that decision unlawful.

15. Management was of the view that the 6 September meeting was necessary due to the urgency of the situation facing the Board. In May 2021, the Depute Assessor also intimated his intention to resign in October 2021¹. Therefore, the VJB faced having no Assessor and no Depute Assessor in place. But, even if the meeting was urgent, there does not appear to be any reason why a meeting could not have been properly convened.

16. Following the meeting, a verbal contract offer was extended to the Assessor, by the Clerk, on behalf of the VJB. The contract offer included a further increase in the Assessor's salary, to the top of the salary scale which, at £91,527, was significantly beyond the figure determined by the pay and grading review only three months' earlier². While an explanation was subsequently set out – see paragraphs 17 and 18, below - the justification for such an increase in value-for-money terms was unclear at this point. It is also unclear whether any consideration was given to the potential increase in pension costs arising from the salary increase. The Assessor accepted the offer on 9 September 2021 and changes to the Assessor's pay were processed on 21 September.

17. A meeting of the Board was subsequently convened, in accordance with the relevant statutory requirements, on 30 September 2021. A paper tabled at that meeting set out proposals for a further recruitment exercise. The paper acknowledged the previously unsuccessful recruitment exercise, noting that there had been an extremely limited response to the advert and that the calibre of applicant attracted did not meet the level of management and technical experience required. The paper also notes that informal discussions with members of the Scottish Assessors Association had not resulted in any offers of assistance, and that the competitive nature of the market would make it difficult to attract the required calibre of candidate with the salary previously offered.

18. The paper proposed an increase in working hours (back to 37 hours per week) and for the salary to be offered at the top of the scale, along with the offer of a 'golden hello' payment of £5,000³. Except for the 'golden hello' payment, these terms were the same as those offered to the Assessor in September 2021. The paper also notes that, because the VJB was now facing a significant problem – if no Assessor was in post, the VJB would be unable to fulfil its functions – it proposed offering the same terms to the current Assessor, to have him stay until the end of March 2022.

19. So, while the 30 September meeting attempted to ratify the actions taken following the 6 September meeting, it made no reference to the earlier meeting or the fact that the recommendations had already been implemented. The meeting therefore did not properly ratify the actions that the Clerk had already taken on the basis of the earlier meeting.

20. A revised contract, confirming the verbal offer described at paragraph 15, and dated 5 October, was issued to the Assessor on 1 November. The contract

¹ The Depute Assessor post was subsequently advertised and a successful candidate took up post in November 2021.

² All staff of the VJB receive an annual allowance - the Distant Islands Allowance - worth £2,265. The allowance has been in place since before the pay and grading review.

³ The 'golden hello' payment would require a commitment to remain in post for three years.

was issued by the Clerk, under the names of the Chief Executives of the two councils. The Board did not delegate authority to the Chief Executives to perform this function and, in any event, did not have in place any scheme of delegation that would allow it to do so. Further, while the Chief Executive of Orkney Islands Council has confirmed he authorised the use of his name on the contract, the Clerk issued the contract without obtaining approval from the Chief Executive of Shetland Islands Council. The Chief Executive of Shetland Islands Council did not attend the meeting on 30 September. The contract issued by the Clerk was also a permanent contract, rather than a fixed-term contract to 31 March 2022, which is what the Board agreed on 30 September.

21. It is worth noting that, while elected members of both councils serve as members of the Board, the Board is a separately constituted body and neither council has any direct role in the management of, or decision-making at, the VJB. Neither Chief Executive has any direct role in managing the VJB's activities. Regardless of whether the Chief Executives had provided approval for the contract to be issued on behalf of the VJB, they had no authority to do so. This meant that the revised contract had no legal authority. However, notwithstanding the lack of legal authority of the contract, under employment law the Assessor could reasonably have expected to rely on it.

22. A timeline of the events described above is set out in Exhibit 1.

Exhibit 1

Assessor's contract – timeline of events

April 2021 Assessor notifies the Board of his intention to retire in October 2021.	May 2021 Clerk to the Board notifies the Board of Depute Assessor's intention to resign in October 2021.	May 2021 Results of pay and grading review considered by the Board.	June 2021 Assessor's post advertised.	July 2021 Terms and conditions of all staff, including Assessor, updated (applicable from April 2021) following pay and grading review.
6 August 2021 Recruitment period ends, with no successful appointment.	20 August 2021 Clerk makes arrangement for a meeting of the Board.	3 September 2021 Depute Assessor submits formal notice (one month notice period).	6 September Board meeting – not properly convened – at which decision taken to offer the Assessor a contract extension, on improved terms.	6 September Clerk issues verbal offer of contract extension to the Assessor.
9 September Assessor informs Clerk that he accepts the offer.	21 September Changes to Assessor's pay processed.	30 September Properly convened meeting, at which the Board approves the making of an offer to the Assessor.	6 October Date that the Assessor's previous contract was due to expire.	1 November Formal contract letter issued to the Assessor (dated 5 October).

Source: Annual Audit Report

23. The processes followed, and decisions taken, by the VJB in relation to the Assessor's contract were seriously flawed. The decision taken at a meeting of the Board that was not properly convened limited the transparency of decision-

making on a matter of public spending. The subsequent errors in relation to the contract offered and issued to the Assessor were ultra-vires and unlawful, as were the additional salary payments made following the payroll changes made on 21 September 2021. In addition, the lack of information on how the Board had determined the extent of the increase in salary at the point that the verbal contract offer was made to the Assessor makes it unclear whether the Board considered, or the contract offered, value for money.

Depute Assessor – increases in hourly rate

24. The VJB found it difficult to fill the Depute Assessor position following the appointment of the previous Depute Assessor into the Assessor role in 2015. This led to the service being provided by an external consultant who was appointed by the Assessor in December 2015. This appointment was made by agreement between the Assessor and the consultant, with a written contract in place. The contract was due to expire in September 2016 but was repeatedly extended – verbally, in contravention of the requirements of the contract and good practice – to now expire in March 2022.

25. Between December 2015 and 2020/21, the VJB had attempted to fill the post on a permanent basis. For example, the VJB applied a permanent uplift to the previously advertised salary and the position was advertised in 2019/20, with a candidate applying and receiving an offer. This offer was subsequently rejected by the candidate and services continued to be provided on a consultancy basis. The 2019/20 annual audit report noted that the consultant position costs equated to 80% of the equivalent full-time Depute Assessor position, but also noted the extent of services provided were not directly comparable.

26. The consultant was paid an hourly rate and increases made to his hourly rate were not subject to appropriate scrutiny, including an assessment of value for money. The hourly rate rose by 400% over a period of five years and four months. The total amount paid to the consultant Depute Assessor also increased significantly, though not by 400%. The amount of time spent by the consultant providing services to the VJB decreased over the length of the contract. However, the increase in the hourly rate still led to the annual cost increasing from £32,727 in 2016/17 to £49,956 in 2020/21.

27. The VJB did not have its own contract standing orders. In practice, it sought to follow those of Shetland Islands Council, though they had not formally been adopted by the VJB. The auditor concluded that, in making changes to the hourly rate paid to the consultant Depute Assessor, the VJB repeatedly breached the requirements of the Council's Contract Standing Orders and the Procurement (Scotland) Regulations 2016. Despite the hourly rate being increased on five separate occasions, at no point was a tender issued, no quotations were received, no competition was assessed, and no benchmarking was performed.

28. The only written record of any request or approval to increase the hourly rate paid to the consultant Depute Assessor was the change made in April 2021. That increase (a 100% increase on the then-hourly rate) was initially suggested by the Assessor to the Board in March 2020. The Assessor notified the Treasurer and the Clerk of the increase to the consultant Depute Assessor's

hourly rate in April 2021. Neither the Treasurer nor the Clerk challenged whether it complied with regulations or demonstrated value for money, and these decisions were not subject to any scrutiny by the Board.

29. The VJB's attempts, over the period from 2015 to 2021, to recruit a Depute Assessor on a permanent basis were unsuccessful. This led to the regular extension of the consultant's contract. While there were obviously challenges in recruiting to the permanent post, the regular – and ultimately significant – increases in the hourly rate paid to the consultant were in contravention of applicable regulations. It is difficult to determine whether the increases represented value for money. In addition, these decisions about important staffing matters within the VJB were not subject to any oversight and scrutiny by the Board, raising concerns about openness and transparency.

Lack of medium-term plans

30. The VJB has not undertaken effective medium-term planning. The VJB achieved financial balance in 2020/21 and is projecting financial balance in 2021/22. This balance will be achieved through contributions from the two councils. However, the appointed auditor has highlighted the lack of a medium-term financial plan in the 2020/21 annual audit report and has flagged this issue consistently in previous annual audit reports.

31. The appointed auditor has also highlighted the lack of a workforce plan in the 2020/21 report, and in previous reports. In 2019/20, the auditor noted that resignations and difficulties in recruitment meant the VJB was faced with vacancies in three of its four most senior positions (Depute Assessor, Clerk and Treasurer) with the fourth position (Assessor) continuing on a rolling, monthly basis. The Clerk and the Treasurer subsequently resigned in April 2020. These positions remained vacant for half of 2020/21, although the Board did appoint officers from Orkney Islands Council to fill these vacancies in November 2020.

Systems and services

32. The VJB has relied on – and continues to rely on – the two constituent councils for both staff and systems, including financial, human resources and IT systems. Both staff and systems have been provided on an alternating basis by the two councils. Until 2019/20, the services were provided exclusively by Shetland Islands Council. Services began to move over to Orkney Islands Council from 2020/21.

33. While not a contributory factor to the issues described above, the appointed auditor also identified a lack of understanding, on the part of the VJB, about services provided by Orkney Islands Council. Although the VJB believed that Orkney Islands Council was responsible for providing legal advice to it, this was not the case in practice. Moving forward, it will be important that the VJB clarifies what support it can expect to receive from the two constituent councils in supporting it to exercise its statutory functions.

Staffing

34. When council staff work at the VJB, their work as employees of the VJB lies outside the direct management responsibilities of their employing council. I am aware that the scope for support to members of staff from their 'home' council

was constrained during the audit, due to limitations on what information could be shared with the constituent authorities. This created challenges for the staff involved.

35. It would be helpful for the VJB and the constituent councils to consider how best to provide appropriate advice and support to individual members of staff during their period of employment away from their 'home' council.

Internal audit

36. The VJB relied on the work carried out by Shetland Island Council's internal audit function, as the VJB continued to use the council's systems throughout 2020/21. In the annual audit report, the auditor notes that there have been no VJB-specific internal audits carried out in over a decade. Given the issues identified during the annual audits, and the changes in service provision from Shetland Islands Council to Orkney Islands Council, the auditor has stated that it is no longer appropriate for the VJB to rely solely on the Shetland Islands Council's internal audit programme to provide assurance to the VJB. I agree with the auditor on this point.

Progress since the financial year end

37. The VJB accepted the findings and recommendations in the annual audit report in full and has shown a commitment to addressing the gaps in decision-making relating to both the Assessor and Depute Assessor positions. There have also been several other recent developments, in response to the auditor's findings and recommendations in this and previous years.

38. The VJB has developed a workforce plan, the first draft of which was submitted to the Board on 30 September 2021. The plan and progress with implementation will be reviewed by the appointed auditor as part of the 2021/22 audit. A high-level review of the plan presented on 30 September indicates that the VJB would consider both immediate needs and future needs. The plan also recognises the challenges in recruitment to technical posts, including senior posts. It recognises the need to consider alternative measures to attract the right staff, as well as a need to develop the existing workforce.

39. The VJB intends to develop a medium-term financial plan later in 2021/22, following the completion of a review of the new pay and grading model.

40. A formal offer of appointment was made in October 2021 and a new, permanent Depute Assessor took up post in November 2021.

41. The issue of there being no access to legal advice was rectified at the Board's meeting on 18 November 2021, when the Board authorised the Clerk to obtain legal advice when required.

42. The Assessor is due to retire at the end of March 2022. A new Assessor has been appointed and will take up post on 16 May 2022. At the time of writing this report, the VJB was considering options to cover the period between these two events.

Conclusion

Conclusion

43. The VJB faced challenges in terms of recruitment for both the Assessor and the Depute Assessor positions. While the basis for some of the decisions it took may have been justified, there were serious flaws in both the processes followed and the actions taken. The VJB took numerous decisions that were unlawful or were not supported by appropriate or specified procedures, and which did not accord with good practice.

44. The issues in this report highlight significant concerns in relation to governance and transparency. The report also highlights weaknesses in the VJB's approach to planning.

45. While the VJB has since taken steps to address the gaps in decisions made in relation to the Assessor's contract, and has appointed a permanent Depute Assessor, the VJB's actions have led to increased costs, additional work for staff and Board members, risks in relation to value for money and potential reputational damage to the Board.

46. It is critical that the Board learns the lessons from this experience and promotes strong governance around decision-making, as well as exercising care when considering what business it considers at anything other than a properly convened meeting. The VJB sought to follow the procedures of the two councils, but it did not formally develop or adopt processes and procedures of its own, including a scheme of delegation and contract standing orders. While I am of the view that this was not a significant factor in the matters covered by this report, the VJB should draw on the lessons from these events to put in place, or strengthen, its own procedures.

47. It is encouraging that the VJB has now prepared a workforce plan and has been working on a medium-term financial plan. It now needs to finalise and implement these plans, and it will be important that they are subject to regular review.

48. The appointed auditor will continue to monitor developments and will report on progress in the 2021/22 annual audit report.

The 2020/21 audit of Orkney and Shetland Valuation Joint Board

Report on governance and decision-making

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MEETING: 10 MARCH 2022

REPORT BY: SECRETARY TO THE COMMISSION

**LOCAL GOVERNMENT BENCHMARKING FRAMEWORK:
NATIONAL BENCHMARKING OVERVIEW REPORT 2020/21**

Purpose

1. This paper introduces for the Commission's information the Local Government Benchmarking Framework (LGBF) National Benchmarking Overview Report 2020/21 and introduces representatives of the LGBF Board who will present the draft report at today's meeting.

Background

2. The Commission has maintained a close interest in the development of the LGBF. This interest reflects the Commission's ongoing commitment to encourage local government-led benchmarking and improvement, as well as its statutory responsibilities in directing local authorities to publish performance information and securing the audit of Best Value.
3. The Commission published in December 2021 its three-year [Statutory Performance Information Direction](#). The Direction sets out the performance information that the Commission requires councils to publish and applies for the information covering the three years from 1 April 2022. A core theme of the Direction is the Commission's continued encouragement of the LGBF project. In their 2021 annual audit reports, auditors reported on progress made by councils against the Direction, and this is reported to the Commission by the Controller of Audit in his Annual Assurance and Risks Report, elsewhere on today's agenda.

National Benchmarking Overview Report 2020/21

4. The Improvement Service publishes this report on 4 March 2022. This is in effect the annual report of the LGBF project and is the tenth such annual report. It is attached in the **Appendix**.
5. Kenneth Lawrie, Chair of the LGBF Board (and Chief Executive of Falkirk Council) and Emily Lynch, Programme Manager, Improvement Service, are present at today's meeting to present the report. They will summarise the conclusions of the report.

Future development of LGBF

6. The LGBF Board continues to consider the future development of the project (the Secretary of the Commission attends meetings of the Board as an observer), and the LGBF representatives will update the Commission on the Board's thinking. Such dialogue will also continue to take place in coming months, both with the Secretary at Board meetings but also between the Chair and Board Chair. The Commission will be kept updated on these developments.

Conclusion

7. The Commission is invited to:

- a) Consider the attached LGBF National Benchmarking Overview Report 2020/21 with a view to any implications for the Local Government Overview report.
- b) Consider and comment upon the accompanying presentation by Kenneth Lawrie and Emily Lynch summarising the report and presenting the LGBF Board's thinking on the future development of the project.
- c) Note that further dialogue with the LGBF Board to this end will take place in coming months, with the Commission to be updated accordingly.

Paul Reilly
Secretary to the Commission
1 March 2022

APPENDIX: DRAFT NATIONAL BENCHMARKING OVERVIEW REPORT 2020/21

See separate paper.

The National Benchmarking Overview Report 2020-21 is available to download at the following link:

https://www.improvementservice.org.uk/data/assets/pdf_file/0018/31338/Benchmarking-Overview-Report-2020-21-FINAL.pdf

MEETING: 10 MARCH 2022

REPORT BY: SECRETARY TO THE COMMISSION

ANNUAL ASSURANCE AND RISKS REPORT

Purpose

1. This paper introduces the Annual Assurance and Risks Report by the Controller of Audit. The Controller also seeks the Commission's consideration of proposed areas of Best Value thematic work.

Background

2. Local authority external auditors are appointed by the Commission under the Local Government (Scotland) Act 1973. The [Code of Audit Practice 2021](#), approved by the Accounts Commission and the Auditor General for Scotland, requires auditors at the conclusion of the annual audit to issue a report summarising the significant matters arising from the year's audit. In local government, these reports are addressed to elected members and the Controller of Audit, and are usually submitted by 30 September each year (although this year the Commission agreed to an extension of this timescale to 30 November). The reports are public and are available on the websites of the audited bodies and [Audit Scotland](#).

Controller of Audit review of annual audit reports

3. The Controller of Audit reviews the annual audit reports to:
 - Identify high-level issues and themes for inclusion in the Commission's annual local government overview reports.
 - Identify specific issues that he may wish to report to the Commission under his statutory reporting powers. In short, these powers are reporting about any matters arising from the accounts of local authorities, or the auditing of those accounts, and in certain specific situations involving illegality or loss.
4. In practice, significant findings from the audits will be known to auditors in advance of the annual audit reports, and reported to the Commission by the Controller of Audit via the Financial Audit and Assurance Committee. Statute allows the Controller of Audit to report formally to the Commission - or the Commission can direct the Controller to report - at any point throughout the audit year.
5. The Controller reports to the Commission early in each calendar year a summary of his review through his Annual Assurance and Risks Report (AARR).
6. In 2020/21, Annual Audit Reports were published for 32 councils (including comment, if applicable, on 201 registered charities within 68 sets of charity accounts), 30 integration joint boards (IJBs), 11 pension funds and 32 other small boards and partnerships.
7. These have all been reviewed as part of this exercise. The AARR also summarises the key findings and risks across all local government audit work undertaken in the previous year. This includes Best Value Assurance Reports (BVARs), performance audits and other publications such as briefings.

Annual Assurance and Risk Report

8. The AARR is an important part of the assurance that the Commission provides from the audit work that it oversees. It aims to provide assurance to the Commission that the range of audit work undertaken on its behalf provides effective coverage of local government performance and risks, including coverage of key Commission priority areas of audit interest. It also highlights key local government risks identified through local and national audit work, including summarising significant issues in individual councils where appropriate.
9. The AARR helps inform the Commission's consideration of its wider work programme (also on today's agenda). Any issues raised by the Commission during its consideration of the AARR will inform future revisions of the work programme.
10. This year's AARR is in a separate paper in the **Appendix**. The Controller has structured it around the Commission's stated strategic priorities to enable a shift of focus and alignment of the AARR towards the key areas of focus set out in the [Commission's Strategy \(2021-26\)](#).
11. This year, for the first time, as part of the Commission's new approach to auditing Best Value, the Controller is also using the AARR as a basis for proposing to the Commission areas of Best Value thematic work.

Annual Assurance and Risk Report: Controller of Audit's conclusions

12. The Controller reports that based on the findings in the AARR he is assured that the audit work undertaken by local government auditors is providing good coverage of the Commission's priorities in councils. He states his confidence that areas of risk are well understood and there are plans in place to cover these risks through our audit work.
13. The Controller sets out more detailed conclusions in the AARR.

Annual Assurance and Risks Report: proposals for BV thematic work

14. The Commission has agreed previously that from 2022/23, under the new Code of Audit Practice 2021, Best Value auditing work in councils will be fully integrated with the annual audit and, after completion of the current programme of council Best Value audits in 2022, no further BVARs will be produced. BV work will, in future, be reported in annual audit reports including annual risk based, follow-up and thematic BV reporting.
15. An important part of this new approach is thematic BV reporting, which will enable the Commission for the first time to report nationally on key Best Value related issues of interest on an annual basis.
16. The broad Best Value theme for use in the first year of the new audit appointments needs to be considered at this point in the year (ie. alongside the AARR) to allow sufficient time for the scoping of the work to be discussed with Commission members as part of the Commission's strategy seminar as part of its consideration of its strategic aims and further consultation to then take place with appointed auditors in advance of the work being started from October 2022.
17. What the Controller of Audit seeks from the Commission is an indication of which statutory BV theme (i.e. Vision and Leadership, Governance and Accountability, Effective Use of Resources, Fairness and Equality, Partnership and Collaborative Working, Working with Communities, or Sustainable Development) is its preferred candidate for Year 1 BV thematic work. He also advises that it would be useful if as part of that discussion the Commission is able to highlight any specific areas of focus it would like to see covered within the chosen priority BV thematic area.

18. The Controller sets out areas of discussion and proposals in his attached paper.

Next steps

BV thematic work

19. Once the Commission has identified a preferred broad Best Value theme at today's meeting, this will be considered by the Commission as part of its wider strategic considerations as part of its Strategy Seminar.
20. Following the Commission's Strategy Seminar, the Commission will discuss a proposal with appointed auditors at a meeting in April involving representatives from all auditors, i.e. Audit Scotland's Audit Services Group (ASG) and the firms.
21. The Commission's expectations of appointed auditors in relation to the BV thematic work will be reflected in the 2022/23 Planning Guidance to be published by September 2022. The BV thematic work will be started by the appointed local auditors from October 2022 and reported in the Annual Audit Reports, to be published by October 2023.

Local government risks

22. The risks identified by the Controller in his AARR will be used as a basis for reporting and assessing audit risks to help the Commission ensure that its work programme is reflective of those risks. This will be done by the Commission as it considers its work programme on a quarterly basis, and by the Commission's committees throughout the year.

Conclusion

23. The Commission is asked to:
 - a) Consider and note the attached AARR, in particular the Controller's conclusions.
 - b) Consider any implications for its:
 - i. overview reporting
 - ii. strategy
 - iii. work programme.
 - c) Specifically, identify broad themes for local BV thematic audit work in 2022/23, as set out in paragraphs 14 to 18 above and in the Controller's paper, for further consideration and engagement with auditors.

Paul Reilly
Secretary to the Commission
3 March 2022

APPENDIX:

CONTROLLER OF AUDIT PAPER

See separate paper

Annual assurance and risks report

Local government

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Summary

The challenging local government operating environment

1. The global Covid-19 pandemic and restrictions emerged at the end of March 2020 and persisted throughout the 2020/21 financial year. The 2020/21 annual accounts are the first to capture the full-year impact of Covid-19 on local government finances. Covid-19 created unprecedented conditions for councils and led to significant additional costs and loss of income throughout the year. It also led to greater and more frequent errors in councils' unaudited accounts. Auditors reported wider issues relating to progress with transformation and savings plans, support for ALEOs, increased instances of controls weaknesses, adverse impacts on long term planning and ongoing workforce capacity issues.

2. Councils' revenue funding from the Scottish Government increased by 13 per cent in real terms in 2020/21, mainly as a result of an additional £1.5 billion of Covid-19 funding from the Scottish Government. When this funding is excluded, there has been a real term underlying reduction in local government funding of 4.2 per cent since 2013/14.

3. Alongside dealing with a wide range of Covid-19 challenges on existing business and operations, councils also took on the additional responsibility of administering over £1.4 billion Covid-19 support grants to local businesses and individuals on behalf of the Scottish Government. This placed a significant additional burden on council finance staff during the year.

4. Councils have had a very difficult year. They have had to manage their ongoing response to the pandemic whilst at the same time beginning the process of recovery from the impact of the pandemic on key services. For example, dealing with increased demand and service backlogs that have built up during the various periods of lockdown restrictions. This is against a backdrop of long-standing pre-existing pressures and challenges such as increased demand from an ageing population and the need to deal with major long-term issues such as climate change and inequalities.

5. A key priority for councils' approaches to recovery and renewal is assessing the impact of service disruption on the most vulnerable and learning from this to inform and refine how they support those most affected. The pandemic continued to have a direct impact on a number of key council services such as education and social care. The local government workforce continues to be under pressure with high absence levels and impacts on wellbeing, particularly for frontline workers. This creates potential risks moving forward.

Progress by councils against the Accounts Commission's strategic priorities

6. The Accounts Commission's strategic priorities reflect the current risks in councils in this environment. A summary of progress made by councils against these priorities is set out in [Exhibit 1](#).

Exhibit 1

Progress by councils in 2021 against the Accounts Commission's strategic priorities

Priority area	Key findings
<p>Inequalities:</p> <p>the contribution local government makes to lessening the impact of inequalities, particularly poverty, on different communities</p>	<ul style="list-style-type: none"> – Councils are prioritising a commitment to reducing inequalities in their communities. – Councils are considering equalities as part of their decision making, engaging with harder to reach communities on service delivery and transformation and creating measurable equalities outcomes. – There are examples of councils working well with partners to target specific support towards disadvantaged and vulnerable groups within their communities, who may have been particularly impacted during the pandemic.
<p>Funding:</p> <p>the impact of funding on local government's ability to fulfil its role</p>	<ul style="list-style-type: none"> – Funding for councils is decreasing and much of the funding is allocated by Scottish Government for specific purposes, reducing the discretion of councils in spending decisions. – Councils and IJBs are carrying out medium-term financial planning to provide more certainty around service provision and savings targets. – Some plans need to be reviewed to reflect the impact of Covid-19 to adjust priorities and targets, so they remain appropriate and deliverable.
<p>Communities:</p> <p>the relationship between local government and its' different communities</p>	<ul style="list-style-type: none"> – Councils with BVARs in 2021 all had a clear vision and strategic direction, aligned with local outcome improvement plans. – Good working relationships with partners allowed councils to respond more effectively to the challenges created by the pandemic. – However, it is not always clear whether partnerships are delivering improved outcomes due to a lack of performance reporting. – Some councils are consulting widely with communities and involving them in decision making, however, councils have much more to do to fulfil the ambitions of the Community Empowerment Act. There is little evidence of direct community input driving recovery actions or meaningfully reshaping services.
<p>Recovery:</p> <p>what contribution local government makes to Scotland's response to, and recovery from, the pandemic</p>	<ul style="list-style-type: none"> – Councils made changes to governance structures in response to Covid-19 and, despite the potential risks for scrutiny and decision making involved in this, the new arrangements were found to be effective. – Many councils have shown strong leadership, though as in previous years, there has been turnover. – BVAR councils were providing training for elected members and carrying out workforce planning, but there are still areas where improvements are needed. – Councils are making use of self-evaluation to drive continuous improvement. – There are still areas for improvement in council performance reporting to allow councils to be able to better demonstrate progress against priorities. – Councils are meeting their statutory responsibilities on public performance reporting under the 2018 SPI direction, but there is scope for improvement around reporting on benchmarking and performance against Best Value duties. – Covid-19 impacted on the ability of some councils to progress plans for transformation and make the associated savings.

Key strategic risks for councils

7. [Exhibit 2](#) sets out what our review highlights are the key risks to councils from our audit evidence (Part 3 sets out in detail the key risks for each priority area). It does not cover the wider context risks such as digital inclusion, climate change, the long-term economic shock of the pandemic, impact on equalities gaps and educational attainment, which also have significant implications for local government.

Exhibit 2 Summary of key risks

Priority	Risks identified from 2021 audit evidence
Inequalities	Councils fail to address the longstanding and significant inequalities experienced in their communities, many of which have been exacerbated by the impact of the Covid-19 pandemic. These include the poverty-related education attainment gap, inequalities of access to high quality sustainable employment and the potential impact of current cost of living rises.
Funding	Councils' and integration joint boards (IJBs) struggle to deliver long term sustainable financial and service planning in the context of reducing levels of funding and ongoing uncertainties over longer-term funding settlements.
Communities	Councils do not deliver improved outcomes for communities because: <ul style="list-style-type: none"> • limited opportunities are provided for communities to influence or take control of decision-making processes and/or local services • there is ineffective collaboration with Community Planning Partnerships and third sector partners • councils focus on recovery not renewal • performance against strategic priorities deteriorates as a consequence of financial and demand pressures.
Recovery	There is insufficient leadership capacity and skills at elected member and senior officer level: <ul style="list-style-type: none"> • to deliver the transformation required for Covid-19 recovery and renewal at sufficient pace • to address underlying challenges to financial sustainability that pre-date Covid-19 • to deliver other public policy commitments e.g., net zero, reducing child poverty, reducing homelessness • for effective scrutiny and challenge • to develop the workforce to deliver transformation and improvement.

8. These key strategic risks have been used to inform the proposed options for Best Value thematic annual audit work for 2022/23 for consideration by the Commission (See AARR cover report), in line with the process agreed by the Commission at its February meeting for identifying potential BV thematic work under the new [Code of Audit Practice 2021](#).

Controller of Audit conclusions

9. Overall, I am assured that our audit work is providing good coverage of the Commission's new strategic areas of interest in councils (inequalities, funding, recovery, and communities) and that the increasingly integrated approach to auditing Best Value in councils is effective. I am also confident that areas of risk are well understood and there are plans in place to cover these areas through our audit work. The BVARs are having an impact, with all councils implementing improvements in response to the reports.

10. This gives me confidence that when the Best Value approach changes under the next audit appointments from 2022/23 and becomes fully integrated into the annual audit, we will be able to continue to provide high quality work which reflects the Commission's BV auditing expectations and the requirements of the new [Code of Audit Practice](#).

11. Notwithstanding this generally positive picture, in preparing the AARR, I have identified two council AARs which did not explicitly report on whether the council in question had complied with its public performance reporting obligations under the Commission's 2018 SPI Direction. I have followed this issue up with the auditor in the firm concerned.

12. I shall also be liaising with local government appointed auditors to ensure that as we enter the final year of the current round of audit appointments, follow-up audit work on all BVARs published to date takes place during 2022 and is reported in this year's AARs (2021/22). These audit findings will be used to inform the proposed scheduling of the first year of Best Value audit reporting on councils under the new Code of Audit Practice, as discussed with the Commission at its February meeting.

13. Looking beyond the audit work undertaken by local government auditors, the AARR highlights a number of significant strategic local government risks and challenges. Some of these relate to the ongoing impact of the Covid-19 on local communities and council services, including the impact of the pandemic on the ability of some councils to progress their improvement and transformation agendas. Other risks, such as climate change and the longstanding pressures on social care services, predate the pandemic. The potential impact of the creation of a new National Care Service for Scotland by 2026 and the impact of the May 2020 local government elections on strategic leadership are also both major challenges facing local government in Scotland moving forward, as is workforce capacity. These major risks should, I believe, feature in the Commission's risk register.

14. The AARR provides good assurance that councils are making progress against the Commission's four key priorities (inequalities, funding, communities, and recovery). It also shows that in most instances councils have robust arrangements in place to support the delivery of Best Value.

15. However, the AARR also highlights the need for further progress to be made by some councils against a number of important aspects of Best Value. These include:

- strengthened leadership and an increased depth and pace of improvement
- the need for more systematic approaches to self-evaluation to drive improvement
- further action to be taken to address mixed progress in implementing aspects of the Community Empowerment (Scotland) 2015 Act, for example in relation to participatory budgeting
- scope for improved performance reporting by councils to:
 - better demonstrate progress against local priorities (including with partners)
 - report more effectively on benchmarking activity and the use of the Local Government Benchmarking Framework (LGBF)
 - more clearly show how they are meeting the requirements of the Commission's Statutory Performance Information (SPI) Direction.

16. Audit responses to these risks are already well reflected in the Commission's work programme through ongoing local government annual audit work, BVARs, overview reporting, and performance audit work. I will, however, continue to monitor these strategic risks to ensure that appropriate responses to them can either be reflected in the Commission's dynamic work programme or through reporting to the Commission under my S102 powers.

Introduction

Background

17. The Annual Assurance and Risks Report (AARR) is my annual report, as the Controller of Audit, to the Accounts Commission about the work undertaken by auditors over the past year on the Commission's behalf. Its purpose is to provide assurance to the Commission that the range of work we undertake provides effective coverage of local government, its performance, issues, and risks. It is also intended to inform the future work programme, including future Best Value work, the Commission's discussions at its strategy seminar and its consideration of the draft *Local government in Scotland 2022* report at the April 2022 Commission meeting.

18. During 2020 and 2021 the Commission and I have overseen a variety of reports, including a performance audit, Best Value Assurance Reports (BVARs), annual audit reports (AARs) in local government bodies and briefing papers. Throughout the period Audit Scotland and the Commission have continued to balance discharging their responsibilities effectively during the continuing pandemic with the need to recognise and reflect the significant impact responding to Covid-19 has had on councils and other public bodies. The pandemic has though impacted on the timing of some our audit work, most notably delaying the timing of some annual audits which had a consequent knock-on impact on the timing of the Financial Local Government Overview. In addition, we experienced specific challenges around the availability of some Covid-19 spend data which impacted on the timing of our *Scotland's financial response to Covid-19* performance audit work.

19. This report summarises progress, good practice, areas for improvement and risks identified through our audit work. It also looks at the pace and depth of continuous improvement in councils and provides an assessment of the extent to which councils are progressing with the Commission's four audit priorities. This year the AARR will also inform the new approach to thematic BV reporting by identifying options for thematic work for coverage by all auditors in their annual audit work.

Audit priorities

20. In its *Strategy 2021-26*, the Commission set out the four priorities it will focus on for the next five years ([Exhibit 3](#)). We will use these priorities to inform how we assess both council's immediate response to the Covid-19 pandemic and their longer-term recovery and renewal work. The AARR this year has been structured around these priority areas and the key findings against each are set out in [Exhibit 1 \(page 4\)](#).

Exhibit 3 Accounts Commission priority areas



Source: Accounts Commission strategy 2021-26

Part 1

Work completed on behalf of the Accounts Commission in 2021

21. This section provides further information on the range of audit outputs produced over the last year as well as our work in responding to correspondence and updates and reports provided to the Accounts Commission and its committees.

Impact of Covid-19 on annual audit work

22. Covid-19 has had, and continues to have, a massive impact across the country. The Local Government and Financial Local Government Overviews will continue to report on the ongoing impact of Covid-19 over the medium-term.

23. In 2020, the Scottish Government wrote to all local government bodies to set out its expectations for the 2019/20 annual accounts and audits. It set out a two-month relaxation to the timetable, with the aim to publish unaudited accounts online by the 31 August (usually 30 June) and to meet to consider them within two months of publication. The accounts regulations were amended for 2020/21 to defer the sign off date from 30 September to 31 October, with the Coronavirus Scotland Act permitting a further deferral to 30 November.

24. [Exhibit 4](#) gives a summary of when council and IJB audited accounts were signed off. The feedback from auditors has suggested that this year has been tougher than last year due to some of the following issues:

- A late start to this year's audit
- A failure by some councils to provide accounts on time
- Significantly increased levels of errors in accounts this year
- Poor quality working papers from councils and delays in receiving responses to queries
- The ongoing impact of carrying out the audit fully remotely
- Additional Covid-19 expenditure and funding streams being audited this year
- Fatigue for finance and audit teams.

Exhibit 4

Timings of council and IJB accounts and audit work completion 2020/21

Deadline	Number submitted – councils	Number submitted - IJBs
Accounts certified – October 2021	11	17
Accounts certified – November 2021 (extended date)	12	11
Accounts certified past the deadline	9	2

Source: Audit Scotland

25. The Local Government in Scotland: Financial overview 2020/21 was delayed due to the impact of Covid-19. Challenges in gathering evidence from annual accounts, AARs and auditor returns meant that publication was pushed back from January until March 2022. The increased number of significant errors identified through the audit process meant that we saw an increase in the number of changes required from unaudited to audited accounts, therefore analysis within the report was based on audited data where possible.

26. The Local Government in Scotland: Overview 2022 will publish in May 2022, in line with a similar timetable as that adopted in the prior year. It will be the first report published following the recent local government elections. The Commission intend to use the report as an important strategic document for new and returning councillors and plan to produce a checklist of useful questions to support councillors in their roles.

Annual audit reports

27. Local authority external auditors are appointed by the Commission under the Local Government (Scotland) Act 1973. The Code of Audit Practice requires auditors at the conclusion of the annual audit to issue a report summarising significant matters arising from the audit. In local government, these reports are addressed to councillors and to me as Controller of Audit. The reports are public and are available on the websites of the audited bodies and Audit Scotland. The reports are reviewed by myself and my team to:

- identify high-level issues and themes for inclusion in the Commission's annual local government overview reports
- identify specific issues that I may wish to report to the Commission under my statutory reporting powers.

28. In practice, significant findings from the audits will be known to me in advance of the AARs and reported to the Commission via the Financial Audit and Assurance Committee (FAAC). Statute allows me to report formally to the Commission - or the Commission to direct me to report - at any point

throughout the audit year. However, including such issues in the AAR is normally the formal starting point for any statutory reporting.

29. In 2021, AARs were prepared for:

- 32 councils (including comment, if applicable, on 201 registered charities within 65 sets of charity accounts)
- 30 integration joint boards
- 11 pension funds
- 32 other small boards and partnerships.

30. There were no qualified audit opinions given within these reports. Further information on some specific issues identified within these is given at [paragraphs 35-43](#).

31. I have recently written to all council chief executives and chief officers of the IJBs, as I do every year after AARs are published. This year I highlighted the continuing challenges the pandemic brought during the 2020/21 audit year and the enormous adaptability, professionalism and commitment shown by councils and audit teams throughout. Councils and IJBs have played a crucial role in leading and supporting local communities and vulnerable individuals over this period. I also welcomed the improvements that IJBs and councils have committed to making to ensure the 2021/22 accounts presented for audit are of a good quality, following an increase in the number and significance of adjustments required in the 2020/21 accounts.

32. In IJBs, AARs provide an opinion on the financial statements. Auditors also report on some aspects of BV through their wider scope audit work on financial management and sustainability and governance. Auditors also report on the arrangements in place for demonstrating Best Value in each IJB.

33. This year's IJB AARs reported that:

- 22 IJBs have appropriate arrangements for BV in place
- 4 IJBs were working on developing their arrangements
- 2 had arrangements in place, but the auditors judged that they needed further improvement
- 2 IJB AARs had no clear judgement on the IJBs' arrangements for demonstrating Best Value.

34. The eleven local government pension fund AARs note some positive performance, despite the challenging year. The accounts were signed off to the original deadline of October for eight, with only one fund failing to meet the extended deadline of November. The funds reported positive investment returns in 2020/21, with the majority of funds outperforming their annual benchmarks. The triennial funding revaluation took place across the funds in March 2020, to review each fund's financial position and set appropriate contribution rates for each employer for the upcoming three years. Overall,

the funding position has improved across Scotland, with nine funds showing an improved funding position compared to 2017 and seven funds show funding levels of more than 100 per cent.

35. I highlight some specific issues arising from the 2020/21 Local Government AARs below:

Procurement

36. There have been two recent cases of council procurement exercises that may have breached European law and were subject to Internal Audit investigations. Comhairle nan Eilean Siar likely breached European Law around the process for awarding the lease of Lews Castle in Stornoway to an outside hospitality operator. The council agreed to a settlement in September 2020. Internal Audit investigated the procurement exercise and found that it failed to provide the market with equity of information, access to officers and access to site visits to inform draft tender documentation. The investigation also found that council officers appeared to have acted in a way that could only be deemed to have undermined the reputation of the council and/or public perception of conduct expected by a public body. The BVAR on Comhairle nan Eilean Siar which is due to be reported to the Commission in September 2022 will provide an update of progress made by the council in implementing a range of improvement actions arising from the Internal Audit investigation into this matter.

37. An internal audit investigation was also carried out around procurement at Orkney Islands Council, in relation to an order of 80,000 tonnes of stone from a quarry in Oban without following open tendering requirements. The investigation found that there were fundamental weaknesses in the way the orders were placed. It was done outwith the open procedure required by the council's own policies and by law. This resulted in reputational damage to the council, in particular by a lack of inclusiveness towards local businesses. Improvement actions being taken by the council in response to the findings of this internal audit investigation continue to be monitored closely by the local appointed auditor.

Equal pay

38. As a consequence of the Accounts Commission's longstanding interest in equal pay, as reported on in [2017](#) and [2022](#), auditors are continuing to monitor councils' progress in implementing the 1999 single status agreement (SSA), including the settlement of new or outstanding equal pay claims. Glasgow City Council has previously made settlements to thousands of current and past employees in relation to historic equal pay claims. The settlements made covered the period up to March 2018. There is a potential further liability in relation to these claimants, from April 2018 until the date the new pay and grading system is implemented.

39. In February 2021, the GMB union launched equal pay claims against Dundee City Council. It has alleged that women employed, in roles filled mainly by women, by the council and two of its ALEOs do not receive the same bonuses and enhancements as those offered for roles filled mainly by men. The council is carrying out a job evaluation exercise to match trade roles onto the council pay scale, ending the payment of bonuses. Until this

exercise is complete it is too early for the council to give an indication of the likely cost to resolve the issue.

40. At both of these councils these issues continue to be monitored closely by the local appointed auditor.

Control weaknesses

41. Both East Renfrewshire and Fife Councils recently implemented new payroll systems and auditors have been monitoring underlying control issues in relation to these. East Renfrewshire Council implemented a new payroll in November 2020 and a benefits system in December 2020. The council experienced capacity issues in implementing and operating the new systems, which resulted in delays to input and adoption of controls on the new system. There was a failure to implement routine controls to ensure the system was up-to-date and operating correctly. Fife Council implemented its new general ledger, accounts payable and payroll systems in July and November 2020. Fife demonstrated more significant issues than East Renfrewshire, with key control weaknesses in budgetary control, payroll, control account reconciliations, journal authorisation, access rights and changes to supplier details.

42. In both cases auditors were concerned about the impact of the absence of key controls on the completeness of data in financial ledgers, which in turn created uncertainty about the figures in the annual accounts. To be able to complete the audit work auditors needed to extend the sample sizes of transactions tested and undertake other audit procedures. This allowed them to gather sufficient assurances over transactions and the completeness and accuracy of balances recorded at the end of the year.

High number of errors in accounts

43. As reported in the Local government in Scotland: Financial overview 2020/21, the additional challenges council finance teams faced as a result of Covid-19 may have led to an increased number of errors in the accounts in 2020/21. Some of these errors related to Covid-19 specific funding, like business support grants and funding for personal protective equipment. Guidance on how to treat these transactions in the accounts was not issued until June 2020, after unaudited accounts had already been prepared. There were also higher numbers of errors in other areas, like asset valuations and the consolidation of group accounts

Wider audit dimensions

44. The Code of Audit Practice ('the Code') outlines the responsibilities of auditors. The Accounts Commission, the Auditor General and Audit Scotland have agreed four audit dimensions that frame the wider scope audit into identifiable audit areas. These are set out in [Exhibit 5 \(page15\)](#). Best Value sits at the heart of the four dimensions. The Code was recently reviewed in advance of the next five-year appointment of auditors, and the Code of Audit Practice 2021 was approved by the Auditor General and Accounts Commission in June 2021.

45. Where appropriate, all AARs include comment on each audit dimension. These generally detail the audit work conducted and provide judgements,

conclusions and recommendations on the effectiveness and appropriateness of the arrangements in place. Across the five-year audit appointment these conclusions will provide an assessment of whether the audited body is demonstrating it is securing best value through continuous improvement in the performance of its functions. By reporting against each of the four audit dimensions, auditors discharge their wider responsibilities under the Code. I am satisfied that all auditors have done this.

Exhibit 5

Audit dimensions



Source: Code of Audit Practice 2016

Best Value Assurance reports

46. Best Value in councils is assessed over the audit appointment (usually five years, now extended to six as a result of the pandemic), as part of the annual audit work. The Commission will also consider a Best Value Assurance Report (BVAR) for each council at least once in the appointment period. 2020/21 was the fifth year of this approach. The Commission has agreed that from 2022/23, Best Value will be assessed entirely through the annual audit. Annual thematic work will be carried out by auditors and reported in annual audit reports. The Annual Risk and Assurance reports will help the Commission in choosing these themes by highlighting the key risks facing local government ([Exhibit 2](#)).

47. Between January 2021 and January 2022, I produced four BVARs (Aberdeen City Council, East Dunbartonshire, South Ayrshire, Falkirk) and the Commission made findings on each of them. A summary of the pace and depth of continuous improvement identified across these four BVARs is set out in [Part 2](#). Aspects of the Best Value arrangements in the remaining councils have been reported in AARs. Based on the risk assessment at each council, a Best Value Assurance Plan (BVAP) ensures all Best Value characteristics are covered by audit work in every council over a six-year period.

National reports and briefings

48. A summary of the reports, briefing papers and other relevant outputs produced by Audit Scotland on behalf of the Accounts Commission is set out in [Exhibit 6](#).

Exhibit 6

Summary of findings from relevant national reports, briefings, and other outputs in 2021 and January 2022

Report	Findings
<p>Tracking the impact of Covid-19 on Scotland's public finances</p> <p>Briefing paper: February 2021</p>	<p>A snapshot of the position before the spring budget revision.</p> <p>The briefing describes some of the challenges the Scottish Government has faced. There is the potential for confusion over whether funding announcements from the UK government represent new funding or are part of the already guaranteed amounts. If the Scottish Government commits guaranteed Barnett consequential to its own spending initiatives, those funds will not be available to match any UK spending announcements made later.</p> <p>It is likely to become more difficult to identify what is and isn't Covid-19 spending as time goes on.</p> <p>Risks identified included: spending decisions having to be made with less time for the analysis and consultation that would usually occur, some groups are likely to be disproportionately impacted and further data will be needed on this so that the Scottish Government can direct funding to where it's needed, and the economic impact will have long term consequences for public finances.</p>
<p>Improving outcomes for young people through school education</p> <p>Performance audit: March 2021</p>	<p>The pandemic affected children and young people in many ways, including learning, wellbeing and economic circumstances. Pupils living in the most challenging circumstances have been most affected by school closures.</p> <p>Those involved in planning, delivering and supporting education were working well together prior to the pandemic. This helped them to collaborate to deliver a rapid response in challenge circumstances. Covid-19 reinforced the importance of education and other sectors working together to tackle issues affecting young people's outcomes, like poverty and health and wellbeing.</p> <p>There has been an increase in types of opportunities, awards and qualifications available, but better data is needed to understand if outcomes are improving.</p> <p>There is wide variation in performance across councils, with some indicators in some areas getting worse. The rate of improvement has been inconsistent across measures. Data gaps from Covid-19 exam cancellations will impact the ability to measure progress.</p> <p>The poverty related attainment gap is still wide, and Covid-19 has exacerbated inequalities. Progress on closing the gap has been limited. Improvement needs to happen more quickly and consistently across the country.</p> <p>Spend on education has increased in real terms, largely due to the Attainment Scotland Fund. £200m was spent on Covid-19 mitigation measures and education recovery.</p>
<p>Local Government in Scotland</p>	<p>The report focused on councils' initial response to the Covid-19 pandemic.</p>

<p>Overview 2021 Overview: May 2021</p>	<p>Relationships with communities have been vital. Council and communities have worked well together, already stronger partnerships made for a smoother transition.</p> <p>Levels of service disruption have varied. There were significant negative impacts on some areas and client groups.</p> <p>There were significant changes in council governance structures and processes. Councils will need to manage the pressures on staff.</p> <p>Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic. The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils.</p> <p>Councils have started to plan for longer term recovery from the crisis. There has been ongoing learning resulting from the emergency response to the pandemic.</p>
<p>The impact of Covid-19 on Scottish councils' benefit services</p> <p>Thematic study: October 2021</p>	<p>This report was based on a survey sent to all councils and returned by all except three.</p> <p>Councils reacted positively to the implications of the pandemic and were effective in meeting the significant challenges of delivering the benefit services remotely.</p> <p>More than three quarters of council's benefit services were adversely impacted by Covid-19 absences during 2020/21.</p> <p>The worldwide shortage of IT and office equipment contributed to delays in claims processing times during the early stages of the pandemic. However, by the end of 2020/21, 18 of 29 councils had either maintained or improved on 2019/20 new claims processing performance.</p> <p>Although most benefit staff worked from home during 2020/21, the accuracy of claims had not been adversely affected, with 21 of the 28 councils that provided data reporting that performance had been maintained or improved.</p>
<p>Auditing climate change: an update</p> <p>Other output: October 2021</p>	<p>A paper setting out some of the key themes and challenges from a July 2021 roundtable on our approach to auditing climate change, along with principles for how we will work.</p>
<p>Community empowerment: Covid-19 update</p> <p>Other output: October 2021</p>	<p>A set of case studies giving examples of community responses to the pandemic and sharing learning from the experiences of bodies involved.</p>
<p>Social care</p> <p>Briefing paper January 2022</p>	<p>There are huge challenges facing the sustainability of social care. There are good examples of improved service delivery, but the pace of change has been slow. Progress in moving to more preventative approaches to delivering social care has been limited. This has led to tighter eligibility criteria being applied for accessing care and increasing levels of unmet need.</p> <p>Service users and carers do not always have a say in what support works best for them. Bringing together their views, knowledge and experience is critical if the Scottish Government is to deliver its long-standing ambitions for social care.</p>

	<p>Staff in social care are under immense pressure, and the sector faces ongoing challenges with recruitment and retention. Staff are not adequately valued, engaged, or rewarded for their vitally important role. This puts the capacity, sustainability, and quality of care services at a considerable risk.</p> <p>Other challenges identified include:</p> <ul style="list-style-type: none"> • Commissioning focuses on cost rather than quality or outcomes • High turnover of staff, increasing short-term posts and an ageing workforce affecting leadership capacity • Inability or unwillingness to share information and a lack of relevant data <p>Significant changes are planned over the next five years, including the introduction of a National Care Service, but some things cannot wait. A plan is needed now to address the significant challenges facing social care.</p>
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Source: Audit Scotland

Correspondence

49. Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations with concerns about an issue within a public body. Neither the Commission nor Audit Scotland has a statutory duty to consider issues of concern or respond to correspondence, but we do so under our Code of Audit Practice. The Code states that the key factor in determining whether we examine an issue of concern is its relevance to Audit Scotland's role and functions. The Financial Audit and Assurance Committee of the Commission is updated every six months on correspondence received.

50. During 2020/21, we received 70 issues of concern about local government bodies; this includes whistleblowing disclosures and objections to accounts. The councils with the highest proportion of concerns raised in 2020/21 were City of Edinburgh and Highland (both with 11 per cent), followed by Fife and North Ayrshire (both with 10 per cent).

51. There are some recurring themes in the correspondence we received about local government, including management of contracts (including issues relating to Covid-19 disruption), alleged fraud, public engagement in decision-making, grant funding and housing services.

52. We use correspondence to add to our knowledge of audited public bodies, and most issues of concern informed audit work in some way. Issues raised in half of concerns (51 per cent) in 2020/21 were used as audit intelligence to help identify risks and inform audit planning. In 12 per cent of cases, correspondence resulted in auditors taking direct action, either including the issues raised in planned audit work or auditors did additional audit work to examine the issue.

Part 2

The pace and depth of continuous improvement in councils in 2021

Councils with BVARs in year five

53. All BVARs include judgements on the pace and depth of continuous improvement. Auditors form these judgements based on the evidence available to demonstrate improvement by the council in relation to Best Value characteristics and service performance. Key messages from the four councils for which BVARs were completed between January 2021 and January 2022 (Year 5) are set out in [Exhibit 7](#).

- The pace of improvement across the four councils has been mixed. East Dunbartonshire Council has shown a good pace of improvement since 2017 and Aberdeen City Council has made significant improvement since its last Best Value audit in 2015. By contrast, continuous improvement in both South Ayrshire and Falkirk Councils has been slow.
- All four BVAR councils use self-assessment to inform improvement activity and show awareness of where improvement is needed.

Exhibit 7

Summary of findings on pace and depth of continuous improvement from the four councils subject to BVARs in 2021

Pace of improvement was mixed across BVAR councils

Council	Continuous improvement key messages
Aberdeen City Council	Aberdeen City Council has demonstrated significant improvements in key areas since its 2015 Best Value report. A major transformation programme has led to an effective organisational structure and improved governance and reporting arrangement. The council has delivered challenging savings targets, and ambitious capital projects, while delivering services within budget. Its financial management arrangements are well developed alongside governance requirements associated with its bond holding.
East Dunbartonshire Council	The council has demonstrated a good pace of improvement since the last Best Value report in 2017. Service performance is strong and has improved in the majority of services, prior to the Covid-19 pandemic. The council's priorities are clearly reflected in its financial plans and its Business and Improvement Plans. It is well placed to meet the challenges of the future.
South Ayrshire Council	<p>The council has set a clear vision, which reflects local needs and is supported by, and well-aligned to, the plans and work of its partners. The council also responded well to the challenges of the Covid-19 pandemic.</p> <p>There are good working relationships between officers and elected members, but the council's leadership – elected members and management – has made limited progress on key aspects of Best Value. Progress has been particularly slow in community planning, financial and workforce planning, transformation and some aspects of community empowerment. While there has been some very recent progress, the council's leadership needs to increase its ambition, pace and focus to deliver improvements in these important areas.</p>

Council	Continuous improvement key messages
Falkirk Council	In our last Best Value report in 2018, we said that the council would need strong leadership to make the necessary step change in its pace of improvement. Since then, the council has taken a range of actions to improve leadership and develop an improvement culture. However, elected members and the corporate management team have not yet demonstrated the collective leadership required to drive the change necessary to deliver the council's priorities. The council has made insufficient progress on key aspects of Best Value, including improving financial sustainability, performance management and reporting, community empowerment and equalities. It has only recently begun to take forward developments in these important areas.

Source: Audit Scotland

Follow up of year one to four BVARs

54. A further 25 councils have already had a BVAR published as part of the six-year programme. Auditors were required to follow-up on the previous Best Value audit findings in the 2020/21 AARs.

55. Auditors reported positive progress against BVAR recommendations, though improvement actions during the last year have been impacted by Covid-19. Of the six BVARs published in Year 4, five report on progress made by the council to some extent. The remaining council, Moray, had a BVAR follow-up report published in March 2022. All report that some progress has been made. Argyll and Bute Council and Dundee City Council note that some improvements have been made, but that the pace has been impacted by Covid-19. The Argyll and Bute Council AAR recommends that the council reviews its BVAR action plan to revise actions and key dates to inject pace and momentum into the work.

Part 3

Progress against the Commission's priorities in 2021

56. Audit findings reported this year on councils' performance against each of the Commission's audit priorities are set out below.

Inequalities – the contribution local government makes to lessening the impact of inequalities, particularly poverty, on different communities

57. Covid-19 has had a profound and often devastating impact on people across Scotland. It has exposed existing inequalities across society and increased the risk of the most vulnerable and marginalised groups – who already experience poorer outcomes – getting left even further behind. The depth and breadth of these impacts will be a key focus of audit work in the years ahead. Reporting on how public bodies are tackling inequalities as Scotland recovers from the pandemic is set out as a priority in the joint work programme of the Accounts Commission and Auditor General.

58. The audit-focused equality outcome published by the Accounts Commission and Audit Scotland in April 2021 will frame the approach: *Our work supports the public sector to address inequalities including protected characteristics and socio-economic disadvantage, and to protect human rights*. This outcome recognises that human rights and equalities considerations must be central to how delivery of public services is assessed. It reflects the connectedness of different forms of inequalities and the multiple ways people experience disadvantage and poorer outcomes.

59. Aligned to this, the Accounts Commission's 2021–26 Strategy reflects the critical role that councils have in delivering high-quality services and improving outcomes for local people. It recognises that service user and equality perspectives will be underpinning considerations. Promoting flexibility in how local public services are delivered, placing greater emphasis on collaborative working and the importance of increasing empowerment of citizens and communities, will support councils to reduce disadvantage and inequality and improve outcomes.

Councils are prioritising a commitment to reducing inequalities in their communities as well as considering equalities as part of their decision making

60. Tackling poverty, reducing inequality, and promoting fairness, respect and dignity for all citizens should be key priorities for local authorities and their partners, including local communities. In achieving Best Value, a local authority will be able to demonstrate that equality and equity considerations lie at the heart of strategic planning and service delivery. All councils talk about tackling inequalities within their Covid-19 recovery plans. The 2021 BVARs found examples of councils prioritising equalities considerations in their work, though there was room for improvement, particularly in Falkirk.

2021 AARR: Most councils are making good progress towards their statutory equality responsibilities. Reports highlighted some good examples of councils' work to address inequalities in their communities.

61. The BVAR on Aberdeen City Council reported that the council considers equalities across its work, both when engaging with hard-to-reach communities and with its own workforce. Equalities is a key focus of the local outcome improvement plan. The council has carried out work to understand its diverse communities and has set equalities performance indicators. They have also been working on establishing an Equality Ambassador Network of staff, who will act as contacts on equality and diversity issues and help to share information across the organisation.

62. Aberdeen City Council considered equalities issues as part of the development of the transformation programme as well as in the development of budget options. An equality impact and risk assessment was carried out in relation to Covid-19, which included direct engagement with harder to reach communities.

63. The East Dunbartonshire BVAR found that the council routinely used equality impact assessments and provides these to members to consider when making decisions. The council has appointed an equalities officer who has been working with services across the council to create equality outcomes with measurable actions for the council's next Equality Outcomes and Mainstreaming report.

64. East Dunbartonshire Council runs local projects targeted specifically at reducing inequalities across different communities. One of these is the Snack and Play programme, part of the council's Child Poverty Action Plan. This has been run by the council, in partnership with East Dunbartonshire Leisure and Culture Trust, since 2017/18 and gives children the chance to attend a local primary school during school holidays. It is open to all children but prioritises those in receipt of free school meals or identified as vulnerable, and includes a hot lunch as well as play, sports and craft activities. During Covid-19 the programme was targeted at vulnerable children and the children of key workers during the Easter and summer holidays.

65. The South Ayrshire Council BVAR reported that addressing poverty is one of the key focus areas of the CPP. In January 2021 it reviewed its priorities and agreed that the strategic theme of 'closing the poverty-related outcomes gaps for children and young people' should be redefined as 'closing the poverty-related outcomes gaps'. This was to reflect the wider impact on the family and community.

66. The BVAR on Falkirk Council found that the council needs to better demonstrate that it is meeting its equalities duties. The council has reduced its gender pay gap over the last five years, from 6.6 per cent in 2015/16 to 4.6 per cent in 2019/20, but the gap is still higher than the national figure of 3.4 per cent. Despite the council's commitment to tackling inequalities, and the positive actions taken in relation to this, an internal audit report in 2019/20 offered only 'limited assurance' about its arrangements for meeting its duties under the Equality Act. The report identified some significant weaknesses in the council's arrangements, including a lack of an appropriate governance framework and the absence of reports on progress against statutory requirements. While the council has created an action plan to address the report recommendations, none of the actions has a target completion date.

67. Equalities will be covered in every council at least once across the six-year audit appointment, as identified in the individual Best Value audit plans. This year, auditors had planned to consider equalities as part of the AAR work in six councils. Examples of the positive work being done around equalities includes:

- The City of Edinburgh Council's programme of work focussing on recovery from Covid-19 includes a working group on Life Chances, aimed at aligning the council's recovery activity to the key theme of addressing poverty, promoting sustainability, and improving well-being.
- North Ayrshire Council has clear strategies in place for progressing the equalities agenda, including an updated Equality Outcomes Plan for 2021-25 and equalities built into the council plan and performance measures.
- Shetland Council has shown a commitment to reducing inequalities through partnership working, which has been evidenced through the outcomes achieved and the individual projects undertaken.
- South Lanarkshire Council published its first Community Wealth Building Strategy in March 2021, and the council aims for this to contribute to its overarching objective to tackle poverty, deprivation and reduce inequalities.
- West Lothian Council has completed a rollout of corporate equality and diversity training to all council employees and provides online training on integrated impact assessments. It has also reviewed its recruitment and selection training to incorporate best practice on equality and diversity.

68. AARs also noted some areas for improvement or further work:

- Angus Council have renewed their equality impact assessment forms and developed an e-learning course, but training for elected members has not yet taken place.
- The Dundee CPP needs to set out how it will measure the impact of its action plan to reduce inequality and poverty. It is taking forward actions to improve performance monitoring and reporting to demonstrate impact against key priorities and the new arrangements were expected to be in place by the end of 2021.
- While East Lothian Council has worked with partners to deliver some successful initiatives, reporting against equalities and Fairer Scotland duties needs to be more joined up.

69. BVAR work during the year identified examples of councils working to target specific support towards disadvantaged and vulnerable groups within their communities, who may have been particularly impacted during the pandemic. (See [paragraph 79](#) for further examples of this work).

- Aberdeen City Council established three wellbeing hubs in the city's three priority neighbourhoods, to support children and their families during the pandemic. They focussed on areas like preventative work to support

family wellbeing and improving awareness of mental health and wellbeing to address stigma and cultural issues.

- East Dunbartonshire Council were able to use a stock of computers they already had as part of a school replacement programme to make sure pupils were supported with home learning. The council worked with head teachers to identify where the devices were most needed to make sure pupils were not disadvantaged by not being able to access online learning opportunities.

Funding – the impact of funding on local government’s ability to fulfil its role

70. Local government has seen reducing budgets in recent years, while funding for other areas has been rising. Excluding Covid-19 money, funding from the Scottish Government to local government between 2013/14 and 2020/21 decreased by 4.2 per cent in real terms. During the same period Scottish Government funding across other areas increased by 4.3 per cent. There is continued uncertainty in funding for councils, with short-term funding cycles, ringfenced funding and continuity of Covid-19 funds. Ringfenced policy streams, for example, for early learning and childcare, are constraining the policy discretion of councils.

71. The impact of Covid-19, and the additional funding provided by the Scottish Government, had a significant impact on councils’ performance against budgets. Councils reported underspends against budgets, largely due to a reduction in services as an impact of Covid-19, also due to unspent Covid-19 funding being carried forward to the next year.

Councils and IJBs are carrying out medium-term financial planning, but some plans need to be reviewed to reflect the impact of Covid 19

72. Medium and long-term financial planning will become even more important as councils deal with recovery from the pandemic and the impact this has had on worsening the existing financial pressures they were already facing. The majority of councils and IJBs are planning on a medium-term basis, but there is less evidence of longer-term planning. There are examples of councils and IJBs revising plans and using things like scenario planning to consider the impact of Covid-19. However, as noted last year, others will now need to review their plans in light of the impact of the pandemic on services and budgets.

- Aberdeen City Council BVAR reported that the council has a medium-term financial plan in place, informed by comprehensive scenario planning. Longer-term planning work was carried out in 2016 and the council should make sure this work is regularly reviewed. The council produced a Financial Resilience Recovery Plan in June 2020 in response to Covid-19, setting out the potential deficit of £32 million that the council could face in 2020/21. It included a range of scenarios and planned actions to enable the council to address the emerging deficit.
- East Dunbartonshire Council has a medium-term financial plan, supported by a longer-term financial strategy, but has yet to develop a long-term

2021 AARR: Councils have made good progress on medium term planning; however, most councils will need to rework their medium and longer-term financial plans in light of Covid-19. IJBs face significant financial challenges.

financial plan. The BVAR reports that the financial plan still needs to be updated to reflect the implications of Covid-19.

- Falkirk Council has a medium-term plan, but it does not address the full extent of the projected future funding gap. A refreshed plan was presented to members in May 2021, but this was rejected as it was decided there was not yet enough clarity on the economic impact of Covid-19 on local government.
- The South Ayrshire BVAR found that the council did not have a medium-term financial plan in place and that the council's financial planning was not well developed enough to provide assurance about its financial sustainability.

73. Twenty-nine council AARs refer to having a medium-term financial plan in place, and 15 refer to a longer-term financial plan. Eleven specifically identified risks around the delivery of savings, two of which note a risk around delivering savings without adversely impacting service delivery. Twenty-seven IJB AARs talk about medium-term financial plans and four about long-term planning.

- Dundee Council considered its long-term financial strategy in January 2021 but decided there was too much uncertainty around the longer-term financial impact of the Covid-19 pandemic, including future funding levels and the use of the available financial flexibilities, to predict with any confidence the long-term financial position of the council. It is committed to revisit and update the long-term financial strategy once more clarity emerges, to enable it to align its budgets and service priorities.
- There is a risk to the long-term sustainability of Comhairle nan Eilean Siar given the probability of additional cost pressures, on top of the immediate response to Covid-19. Dependence on reserves to bridge budget gaps is unsustainable and savings plans may be too optimistic.
- Dundee IJB faces risks around its financial sustainability. The IJB's five-year financial framework needs to be updated to reflect the impact of the Covid-19 pandemic on services and funding streams.
- East Dunbartonshire IJB's medium five-year financial strategy is to be reviewed in the context of emerging impacts from the Covid-19 pandemic both in terms of medium / longer term cost pressures and to reflect new ways of working. Despite the overall surplus at the end of the year there remains a risk to financial sustainability in the medium-term.

74. Capital programmes are being impacted by Covid-19, with 23 council AARs reporting slippages in projects and the pandemic representing a significant factor in this. In some cases, the councils involved had a history of slippages and underspends in their capital programmes prior to Covid-19. Councils may need to consider whether future plans are realistic and achievable.

- Comhairle nan Eilean Siar underspent by £6.7 million on its capital budget for 2020/21, partly attributed to the impact of construction being halted due to Covid-19. The 2019/20 AAR noted that capital budgets had been

underspent in the last five years, and there was a risk the programmes and budgets were unrealistic. The auditor had recommended a review of the capital programme, but this has not yet taken place.

- Midlothian Council overspent against the original capital budget, reversing a historic trend of slippages. The impact of Covid-19 and Brexit meant that some projects had to be rephased during the year. Supply chain issues may impact the council's ability to deliver its significant capital programme in future years. Careful monitoring will be needed to make sure the programme remains affordable.
- South Lanarkshire Council reviewed its capital programmes to produce a more realistic estimate of what could be achieved given the Covid-19 restrictions. The final outturn showed slippage of 13 per cent against the revised general services capital works budget, largely due to Covid-19.

Communities and partnership working – the relationship between local government and its' different communities

75. The Community Empowerment (Scotland) Act 2015 gives people more influence over how their council and its partners plan services. It provides more formal ways for people to get involved, through for example, community asset transfers, participation requests and participatory budgeting. The Act requires community planning partners to secure the participation of community bodies in community planning, particularly those that represent the interests of people who experience inequalities of outcome from socio-economic disadvantage.

Councils with BVARs in 2021 all had a clear vision and strategic direction, aligned with local outcome improvement plans

76. All four BVARs published during the year talk about the council having a clear vision and strategic priorities that align with the community planning partnerships local outcome improvement plans (LOIPs).

- Aberdeen City Council's strategies and plans are clearly aligned to the community planning partnership (CPP) LOIP. The vision and priorities are well articulated and embedded within the strategic planning framework.
- East Dunbartonshire BVAR reports that the council and its partners have a clear vision for the area, set out in the LOIP. The council has a clear strategic direction.
- South Ayrshire Council has a clear vision and priorities, which are aligned with the LOIP and shared by partners and elected members.
- Falkirk Council has set out a clear vision and priorities for the future. Members and officers have set a clear strategic direction for the council, including its recovery from the impact of Covid-19. The council revised its corporate plan in 2020, reducing the number of priorities. The revised priorities align the with wider priorities of the CPP.

77. Priorities across the BVAR councils and their CPPs include a focus on areas like inequalities, sustainability and climate change, the economy,

2021 AARR:

The quality of the underlying council strategies and plans that support the delivery of the vision vary. Most of the 2020 BVARs report that it is difficult to demonstrate progress against the strategic objectives.

health and wellbeing, and the importance of early intervention and prevention. All four councils report progress against priorities in the form of performance indicators. Sixteen council AARs specifically refer to progress against council priorities being regularly reported.

Good working relationships with partners allowed councils to respond more effectively to the challenges created by the pandemic. However, it is not always clear whether partnerships are delivering improved outcomes due to a lack of performance reporting.

78. Partners play an important part in improving outcomes for communities. During the Covid-19 pandemic, local people and communities across Scotland were crucial in providing support to the most vulnerable people in society. Partnerships and the voluntary sector were vital in supporting and empowering people to do this. The recent [Community empowerment: Covid-19 update](#) noted that some communities were able to provide a faster and more targeted response in areas where existing relationships were stronger. This enabled rapid allocation of funding to well-established organisations supporting those most affected by Covid-19.

79. BVARs noted that these good relationships with partners helped them to be able to respond effectively to the challenges of Covid-19.

- The Aberdeen City CPP's progress in the use of digital technology and data sharing supported the work on the LOIP refresh and the short-term Social Economic Rescue Plan to respond to the immediate impact of Covid-19. Partners were able to effectively share data between them.
- The East Dunbartonshire BVAR noted that partnership working in the area was further strengthened during the response to Covid-19. Three supportive services were delivered by partners to provide assistance – a shopping and prescription assistance service, shielding support and the humanitarian assistance service. Partners worked together to make sure the three services were interlinked, and that people could be referred between them.
- South Ayrshire Council worked with partners to provide support to vulnerable communities during Covid-19 through the creation of the Ayrshire Resilience Partnership. This group included the Ayrshire Councils' chief executives, along with representatives from health, police and fire. It established close working relationships with business and local voluntary groups to deliver a range of services and support.
- Falkirk Council and its partners have strong relationships, which allowed them to work well together in their joint response to the pandemic. Actions included setting up a 'support for people' service helping to connect people with voluntary organisations and creating a database of community groups that supported more than 10,000 people to access things like self-isolation grants, food parcels and financial advice.

80. While the 2020 BVARs reported examples of partners successfully delivering improved outcomes, three of the four 2021 BVARs found a lack of reporting on performance against outcomes meant it wasn't clear whether CPPs were contributing to improving outcomes for their communities.

2021 AARR:

There is evidence of strong partnership working across Scotland. Some community planning partnerships are successfully delivering improved outcomes. Councils continue to work well with partners to develop and deliver city region and growth deals.

- The Aberdeen CPP is central to the work of the partners across the council area. The effective leadership and identification of priority themes with lead partners helps to provide a clear line of accountability for delivery. Scrutiny and oversight are supported by comprehensive supporting outcomes and performance indicators. Outcomes shows mixed progress, with improvement in 13 of 18 CPOP indicators, but there is a focus on longer-term measures.
- The East Dunbartonshire BVAR reported that the CPP's annual performance report does not give a clear summary of progress against the outcome performance indicators set out in the LOIP. The council and partners have recognised that the way performance against outcomes is reported could be improved and will consider this as part of the LOIP review.
- The South Ayrshire CPP has previously lacked strategic direction, but it has been making improvements. Performance information reported to the board focusses on actions rather than outcomes. The BVAR reported that the partnership still has work to do to improve outcomes for communities and develop performance information to demonstrate that outcomes are being delivered.
- The Falkirk BVAR found that a lack of performance reporting by the CPP makes it difficult to identify whether partnership working has contributed to improving outcomes for local people. The CPP has not produced an annual performance report against its strategic plan in the last three years, so it is unclear whether it has been successful in delivering its planned objectives.

Some councils are consulting widely with communities and involving them in decision making

81. The 2021 BVARs reported on councils using a range of methods to engage with communities and involve them in decision making, but there were examples of a lack of consistency in how this is done across services.

82. Aberdeen CPP uses a range of consultation approaches including an online platform and a citizens panel, along with more traditional methods like community group meetings and public consultation events. Engagement with residents as part of the development of the local development plan led to an increased focus on sustainable development and identified the need to produce a more child friendly version of the plan.

83. East Dunbartonshire Council consults widely and encourages citizen participation. Council services have specific stages of planning for consulting and engaging with communities. The council is working to improve engagement with a wider range of people, for example, older people who may not have access to social media. The council has established a youth council and is gathering young people's views about the impact of the pandemic to influence council services.

84. South Ayrshire Council uses a range of methods to engage with communities, including citizen panels, consultations and a youth forum. The council recognised that even though it has a wide range of community

2021 AARR:

There is evidence of councils engaging well with their communities but there is scope for more involvement in working together in the development of policies and services. There is evidence of progress against the Community Empowerment (Scotland) 2015 Act.

engagement activities, these were not consistent across the council and that it needed to improve its assessment of the impact of engagement. It responded to this by recently introducing a community engagement strategy to improve the consistency of the council's approach to involving communities in the future of council services.

85. Falkirk Council has used a range of methods to engage with communities, for example, surveys, public meetings, online consultations and social media. The BVAR found that there was a lack of consistency in how this is done across different council services. The council has worked to strengthen its commitment to community engagement recently, holding engagement events alongside the third sector. The results of a customer perceptions survey in February 2021 indicates that the council needs to do more to improve how communities can influence local decisions.

86. BVARs found a mixed picture in the progress with community empowerment across councils. Participatory budgeting in particular is an area that has lacked progress.

- The Aberdeen City Council BVAR found that aspects of community empowerment, including community leasing of council assets and participatory budgeting, are well established.
- East Dunbartonshire has made progress in implementing the requirements of the Community Empowerment Act. The council has a history of supporting community groups to manage and own facilities and has published a community asset transfer policy clearly setting out the process. The council has supported a number of small participatory budgeting projects and intends to further develop its understanding and approach to participatory budgeting.
- South Ayrshire Council has made good progress in some aspects of the Community Empowerment Act, but the BVAR found that the council lacked strategic drive to further expand participatory budgeting activity. Little progress has been made to mainstream participatory budgeting since 2017/18 and there is significant scepticism about participatory budgeting among elected members.
- The Falkirk BVAR reported that previously limited and slow progress has been made in empowering communities, but that this is now a greater priority for the council and the CPP. Since the introduction of the community empowerment act, the council's progress in participatory budgeting has been relatively slow and limited.

87. Eight council AARs included examples of work councils were doing on community engagement and empowerment, whilst some specifically noted improvements were needed.

- Midlothian Council works with NESTA on a listen and learn programme, highlighting the value of working together with communities. A services co-design project was brought together to shape and test new ways of working in partnership with communities.

- South Lanarkshire Council works with communities to identify priorities, and a refresh of the connect plan and community plan is currently underway. The council have been making good progress to address the BVAR recommendation to improve community engagement.
- Argyll and Bute Council has made limited progress on a programme to improve engagement skills across the organisation. The 2020 BVAR recommended that the council should work with communities to understand and address their concerns and to improve satisfaction with council services. This work has been impacted by Covid-19 and is still underway.

Recovery – what contribution local government makes to Scotland’s response to, and recovery from, the pandemic

88. Local government will continue to play a crucial part in the recovery from the pandemic. [The Scottish Government Covid-19 recovery strategy](#) notes the joint approach in agreeing the shared vision and outcomes of Covid-19 recovery recognises the critical roles of both the Scottish Government and local government in leading the national and shared endeavour of Covid-19 recovery. The recovery activity will support rebuilding public services, good, green jobs and fair work, financial security for low-income households and the wellbeing of children and young people.

89. The upcoming Local government Overview Report 2022 will look further at the impact of the pandemic on local government over the past year. It will assess the ongoing impact and the wider challenges that are facing councils in the second year of the pandemic. It will have a particular focus on progress councils are making towards recovery and renewal.

90. The 2021 BVARs gave some examples of initial recovery work taking place in councils:

- Aberdeen City Council has produced a Financial Resilience and Recovery Plan to consider potential budget deficits as a result of the pandemic, along with planned mitigating actions. The CPP published a socio-economic recovery plan in July 2020, supported by locality recovery plans, setting out the partnership’s immediate response.
- East Dunbartonshire Council published an Economic Recovery Plan in August 2020, and a revised version at the beginning of 2021. The plan identifies the impacts and key issues for the local economy, setting out the actions the council and its partners are taking to address them.
- South Ayrshire Council formed a Covid-19 Recovery Group to oversee recovery planning. It published a strategic framework to direct planning for recovery and renewal and each service produced their own service improvement and recovery plan.
- Falkirk Council developed a new Corporate Plan in 2020 to reflect changes in priorities as a result of the impact of Covid-19. Views of communities, businesses and employees were gathered as part of this work. The council vision has also been incorporated into other strategic

plans like the new three-year business plan and the Economic Recovery Plan.

Councils made changes to governance structures in response to Covid-19 and, despite the potential risks for scrutiny and decision making involved in this, the new arrangements were found to be effective

91. As reported in the AARR last year, all bodies made immediate and significant changes to their governance arrangements in March 2020 in response to the Covid-19 pandemic. BVARs and AARs reported positively on governance arrangements despite these changes.

92. Aberdeen City Council made significant changes to governance structures as part of their transformation programme. The BVAR reported that the arrangements are now well established, and the council has been awarded the CIPFA governance mark of excellence. In response to Covid-19 Aberdeen City Council paused their full council and most committees between March and September 2020 and made their Urgent Business Committee the main decision-making forum.

93. East Dunbartonshire Council adapted their governance arrangements quickly in March 2020 to provide an emergency response to Covid-19. Committee meetings were suspended, and powers were delegated to the chief executive. Special meetings of the council could be called when there was a significant matter to discuss. Arrangements were later put in place to hold council and committee meetings virtually. The BVAR found that although these changes brought the risk of a reduced level of scrutiny by members, the council managed this risk effectively.

94. The Falkirk Council BVAR reported that the council had appropriate governance arrangements in place to support effective decision making and scrutiny. The council created an Emergency Executive Committee between May and September 2020 to take decisions that allowed the council to respond to the emergency and plan for recovery. Despite these arrangements the BVAR noted that there continued to be significant delays in making key decisions needed to deliver council priorities.

95. Twenty-seven of the council AARs specifically note that effective governance arrangements were in place. Where they talk about the new arrangements in place in response to Covid-19 these arrangements were found to be appropriate.

- Dumfries and Galloway Council have continued to improve and develop governance arrangements. The council reported progress on the six improvement actions arising from the 2019/20 self-assessment as well as further identified opportunities for improving governance.
- The City of Edinburgh Council responded quickly and effectively in making changes to political management arrangements in response to the pandemic. A leadership advisory panel was established, with membership including the leaders of each political group.

96. Part of the changes to governance arrangements involved councils moving to virtual committee meetings. Despite this new way of working councils are largely conducting their business in a transparent way. Most councils webcast or record their committee meetings and made arrangements for public access to meetings. A review of council websites in January 2022 showed 28 councils had live video or audio feeds of meetings and 30 produced recordings of meetings. Minutes and papers from meeting were usually available on the council's websites.

97. The South Ayrshire BVAR reported that the council had been slow to provide the public with access to its meeting during the pandemic, taking longer to establish arrangements for this than many other councils. It intended to have live streaming of some meetings in place for October 2021.

Many councils have shown strong leadership, though, as in previous years, there has been turnover

98. Effective leadership is key to councils achieving their objectives and providing clear strategic direction and will be crucial in the recovery from the pandemic. As with last year's AARR, a mixed picture has been reported across councils, with some examples of strong leadership, but with changes still taking place in some councils

99. Of the four BVARs published in the last year, two reported on good leadership, while the other two noted weaknesses that were impacting on the council's ability to make progress on priorities.

- Aberdeen City Council's Corporate Management Team has shown strong leadership and clear strategic direction in driving forward improvements and transformation. Management development schemes have been developed to increase leadership capacity beneath chief officer level.
- East Dunbartonshire Council has provided effective leadership in delivering the council's priorities. Officers and elected members work well together and provide a clear strategic direction. Officer leadership has been stable, with no new corporate management appointments in recent years.
- In contrast, the South Ayrshire Council BVAR reported that the council leadership had made limited progress on key aspects of Best Value. The council's leadership needs to increase its ambition and pace of change to be able to deliver improvement. The council lacks a strategic programme for developing leadership skills and capacity.
- Falkirk Council have taken action to improve leadership since the 2018 BV report, including introducing a leadership forum and leadership team development sessions. However, the most recent BVAR still found that the council failed to demonstrate the collective leadership required to drive the improvement needed to achieve its priorities.

100. Council AARs report changes in leadership or a management restructure in seven councils, with three specifically noting difficulties in recruiting to management posts, including:

2021 AARR:

Many councils have made changes to their management teams and there continues to be significant change to IJB' leadership. This can be a catalyst for improvement but can also present some risks.

- Comhairle nan Eilean Siar which has had difficulty filling the post for Director for Assets, Finance and Resources, since the previous post holder left in February 2021. It had organisational restructures in 2017 and 2018, but now needs to identify a sustainable organisational structure to support service delivery.
- Orkney Council, which has had significant turnover within the senior management team in recent years. A revised structure is being developed and due to be implemented by March 2022. Departures from the senior management team have left gaps and a 2020/21 recruitment campaign for the chief executive post failed to identify a suitable candidate, so the role is currently filled on an interim basis.

101. We have previously reported on the potential risks of the significant amount of change that had been taking place in IJB leadership. There was little reference to leadership change within this year's IJB AARS, but there were a couple of areas of concern around management capacity noted:

- Edinburgh IJB needs to prioritise commissioning an independent assessment of leadership and management capacity that the IJB will need to succeed over the next few years. A significant level of change has been committed to for the next three years, so this should be an area of priority.
- The auditors of Falkirk IJB reported that without a formalised integration scheme in place there is a risk that delivery of the IJB priorities could be impacted by a lack of management capacity.

BVAR councils were providing training for elected members but attendance could be improved

102. As councils undertake the challenges of recovering from the impact of Covid-19, making sure elected members and senior officers have the skills and support they need to effectively carry out their roles will be important. There is also the potential for an influx of new councillors following the May 2022 local government elections. Councils should have arrangements in place to prepare and support elected members and senior managers to respond to the challenging and changing local and national demands. This means ensuring there is appropriate induction, ongoing training, and development to support both elected members and management.

103. The 2021 BVARs found councils had comprehensive training programmes in place, though attendance could be improved, and councils had not yet developed individual personal development plans for members.

- Member training at Aberdeen City Council is comprehensive, but attendance can be variable depending on role, experience, and tenure. The council is planning to introduce tailored personal development plans for members before the 2022 election.
- The East Dunbartonshire BVAR reported that the council has an effective training programme to support elected members. This includes a comprehensive induction programme for new members. The council previously tried to sign up all members to individual development plans, but the uptake was limited.

2021 AARR:

Good training programmes on a range of topics are provided for elected members but attendance could improve.

- South Ayrshire Council has a programme of training for elected members but on average members attended less than half of the available sessions between 2017/18 and 2020/21. The council is considering a more personalised development package, including personal development plans for each member.

BVAR councils were all carrying out workforce planning

104. BVAR councils all had workforce planning in place, though service level planning was not yet fully embedded in South Ayrshire.

- South Ayrshire Council has a corporate workforce plan up to 2022, along with a workforce planning toolkit. However, the BVAR found that the guidance and toolkits for both workforce planning and succession planning are not embedded or consistently deployed throughout the council. There is also no clear link between workforce planning and the council priorities.
- Aberdeen City Council has a multi-year workforce strategy that links to the LOIP and to council outcomes. Detailed workforce planning is done as part of the annual planning and budgeting cycle.
- East Dunbartonshire Council has made significant improvements in its workforce planning arrangements since its previous BV report and is demonstrating a good practice approach to workforce planning. Individual service workforce plans have been developed. The council is waiting to see how services will be delivered post Covid-19 before revisiting the workforce strategy and plans.
- Falkirk Council has made good progress with workforce planning and has a detailed workforce strategy, supported by a workforce plan that links to the corporate plan priorities.

105. Councils should have regular and structured mechanisms in place to consult and engage with all members of staff. Understanding and acting on the views of staff, giving them ownership of change programmes, is key to driving improvement. BVAR councils were consulting with staff including engaging with them on changes during, and resulting from, the pandemic.

- Aberdeen City Council consulted with staff as part of its transformation programme. It also recently completed a 'Future of Work' survey to ask staff for views on things like the response to Covid-19 and the arrangements for the shift to remote working.
- East Dunbartonshire Council had conducted a staff survey in 2019 and had been due to discuss the results but this was delayed due to Covid-19. The council planned to carry out a new survey from September 2021 to March 2022 and use the results to inform council and service action plans to improve employee engagement.
- South Ayrshire Council was proactive in communicating with staff during the pandemic. The results of an Employee Covid-19 Recovery Survey showed that 80 per cent of respondents agreed they were kept up to date

2021 AARR:

Councils are developing organisation-wide workforce plans, but Covid-19 has had a significant impact on workforce planning. Councils are engaging with staff, but response rates are low.

2021 AARR:

A small number of councils use

during the period. Employees are expected to be involved in the council's 'Future Operating Model' project that commenced in March 2021.

Councils are making use of self-evaluation work to drive continuous improvement.

106. Robust self-evaluation and good quality performance reporting are important factors in council's identifying where improvements are needed to be able to deliver on their priorities. This will be important going forward, to identify where councils wish to focus their attention as part of pandemic recovery plans.

107. All four 2021 BVARs were making use of self-evaluation to inform improvement activity:

- Aberdeen City Council uses self-evaluation effectively to inform its plans and the process is now well embedded in the annual planning cycle. The CMT and senior staff oversee improvement projects through a Performance Management Board, and progress reports on the work are presented to elected members. Although the council is committed to carrying out post project reviews to identify lessons learned it needs to make sure these are being consistently carried out.
- East Dunbartonshire Council also uses self-assessment to drive improvement. Areas for improvement are identified from performance information and actions to address these are included within Business Improvement Plans. Some of these actions will trigger further improvement projects. Progress against this work is reported to elected members quarterly through How Good Is Our Service reports.
- South Ayrshire Council has a structured approach to continuous improvement that focusses on the use of self-evaluation. The How Good Is Our Council approach is used. Services are continually reviewed based on inspection reports and performance. Officers and members have been trained on self-evaluation.
- Falkirk Council uses a range of approaches to identifying areas for improvement, including self-assessment along with internal audit and external inspections.

108. The council AARs that report on self-evaluation and improvement mainly give positive examples of continuous improvement and self-evaluation work, though in three councils the impact of Covid-19 on this work is noted.

- While North Lanarkshire Council's planned 12-week self-evaluation in Spring 2020 was postponed due to the pandemic, the council has continued with its commitment to self-evaluation. It completed an exercise to evaluate its response to Covid-19 and developed an action plan. The results of this fed into the Programme of Work for 2021/22,
- Angus Council AAR notes that it needs to more clearly demonstrate how self-assessment and external scrutiny feed into service improvement activity.

2021 AARR:

While there has been improvement in performance reporting, it will be increasingly

There are still areas for improvement in council performance reporting to allow councils to be able to better demonstrate progress against priorities.

109. Good performance reporting plays a key role in improving performance. Performance reports should include how performance links to council priorities, indicators on service quality and satisfaction and an overall assessment of how the council is performing against outcomes. Performance reports should also benchmark a council's performance against others.

110. There are examples of councils with good performance management and reporting in place, but like in previous years, there are areas where improvements are needed. 2021 BVARs reported a mixed picture on performance reporting. Aberdeen City and South Ayrshire BVARs both reported that the councils had revised their performance management frameworks, but both still had room for improvement on how performance was reported:

- Both Aberdeen City Council and South Ayrshire Council could improve their reporting to make overall progress against outcomes clearer by including a high-level summary of performance
- South Ayrshire Council's new indicators could make it more difficult to demonstrate progress against priorities due to a lack of trend information and some indicators being less clearly linked to the priorities that the previous set. Performance reports also lack targets for the majority of indicators
- Falkirk Council also revised its performance management framework. The council's reports on performance against priorities now more clearly demonstrate whether they are being achieved. There is still scope for further improvements, for example, by including actions that are being taken to address areas of underperformance
- East Dunbartonshire has a comprehensive performance management framework with regular reporting on progress against targets, used to identify areas of good practice and areas for improvement.

111. Council AARs note that councils are reporting regularly on performance, though due to the impact of Covid-19 some councils made changes, including delaying some performance reports. Councils may need to review their performance reporting and measures used in light of changes to priorities and plans due to the pandemic.

112. There were some examples given in AARs of areas where improvements are needed:

- Comhairle nan Eilean Siar's BV self-assessment work identified a recurring issue with the council's ability to demonstrate outcomes. A BV action plan working group has been set up to identify evidence to demonstrate how outcomes are being achieved.
- Dundee Council's previous BVAR has reported that the council had been slow to develop a consistent approach to monitoring and reporting

performance and that regular reports for members were still being developed. In 2020/21 a revised performance management framework was developed and is intended to be fully deployed from 2022/23.

- Whilst most IJB AARs noted that effective arrangements were in place for managing and reporting performance, three noted issues around this, with work underway to improve this. For example, Edinburgh IJB committed to developing a performance management framework by April 2021 and has been carrying out work looking at understanding outcomes and developing corresponding indicators.

113. Ten council AARs specifically referred to council performance and service delivery having been impacted by Covid-19. Five council AARs note that a large number of performance indicators were missing data to be able to analyse trends, some note this is due to Covid-19 but it's not clear if that is the case for all those with missing data. Examples of noted impacts on service performance include:

- The City of Edinburgh Council added a 'blue' status within its RAG assessment of progress against KPIs, to indicate areas where the impact of Covid-19 means comparison with performance in previous years is not appropriate. These areas include education, homelessness, street cleaning, rent arrears, commercial income, lost time due to ill health and the delivery of savings.
- West Lothian Council found a number of indicators were either impacted by a reduced staff capacity due to Covid-19, or more indirectly by an increased demand for some services from the public as a result of Covid-19. The AAR also noted that Covid-19 has impacted on the council meeting the scheduled dates for actions in the improvement plan.
- The East Dunbartonshire BVAR notes that Covid-19 had a significant impact on services. Performance reporting identified areas where indicators had been impacted by Covid-19, for example, the number of new start businesses supported by the council and other partners saw a significant drop.
- The West Dunbartonshire Council AAR reports that the pandemic worsened the challenges of poverty and inequality in the area. They are facing particular challenges in the average tariff score for pupils from the most deprived areas and the proportion of households in fuel poverty.

Although councils are meeting their statutory responsibilities on public performance reporting under the 2018 SPI direction, there is scope for improvement around reporting on benchmarking and performance against Best Value duties.

114. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. Councils have responsibilities, under their BV duty, to report performance to the public. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction which requires a council to report its:

- performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- own assessment and independent audit assessments of how it is performing against its duty of BV, and how it plans to improve these assessments
- how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

115. The Accounts Commission considered a paper on the draft 2021 SPI direction at its December meeting and an update was given on councils' progress against the requirements of the 2018 Direction. It found that all councils were reporting, to some degree, performance information that can be compared over time and between different bodies. However, there is significant variation in the extent to which they are meeting the requirements of the Direction and scope for improvement in how some areas are reported. The report also noted that there could be improvements in the consistency of reporting of progress against the Direction in the AARs. The specific areas for improvement in council reporting noted include:

- Improving the accessibility of performance pages, to make it easy for citizens to access performance information
- Reporting on performance against their Best Value duty, in particular reporting progress against previous Best Value assessments
- Reporting on comparative benchmarking information, including relating to the LGBF
- Clarifying the impact of Covid-19 on performance and on performance reporting.

116. All except two council AARs report on the council's public performance reporting with reference to the 2018 SPI direction. Similar to the findings of the Accounts Commission report, although all councils were reporting on performance to the public, some AARs noted improvements that could be made. These improvements included having an overall assessment of council performance, identifying areas where council performance could be improved and demonstrating how the council is meeting the Best Value requirements.

Covid-19 has impacted on the ability of some councils to progress plans for transformation and make the associated savings

117. In 2020/21 Progress with transformation has been mixed across both councils and IJBs, some have made positive progress, while others have faced challenges due to the impact of Covid-19. Similarly, the ability to make the associated savings was impacted in some councils. Of the four BVARs during the year, two have made good progress with transformation, while the other two have lacked pace.

118. Aberdeen City Council made significant changes to its organisational and governance structures as part of its transformation programme. The

2021 AARR:

Covid-19 has delayed some transformation work, and this has increased some financial pressures and future service development. It has also led to re-assessment of transformation plans and

effective redesign of services and a move to a commissioning-led approach has allowed the council to successfully deliver the required savings needed to maintain its financial sustainability over the short to medium term.

119. East Dunbartonshire Council's programme of transformation projects aims to achieve financial savings and deliver service improvements or address inequalities. The programme has not been updated since Covid-19, as service improvements have been focussed on the council's response. An interim programme was due to be reported to the council in September 2021, with a full updated programme to be produced after a public engagement process.

120. The South Ayrshire BVAR found that the council's approach to transformation has lacked pace and ambition and is significantly behind other councils. It has historically been ICT focussed, rather than looking at the transformation of core council services. Significant progress is required to make the transformational change needed given the long-term financial challenges the council faces.

121. The Falkirk Council BVAR reported that the council has not achieved transformational change at the pace and depth necessary to deliver on the council's priorities and address budget gaps. The appointed auditor has consistently reported each year that it has not been possible to verify the savings that have been delivered through the transformation programme. The council had recognised that the lack of progress means that the level of savings it had hope to achieve, and the timescales involved, are unrealistic.

122. Council AARs reported some examples of transformation in response to the challenges of the pandemic, including digital transformation. Others noted that transformation plans need to be reviewed in light of Covid-19.

- Angus Council has continued to work towards achieving change programme savings and a number of savings projects have been completed, despite the challenges caused by Covid-19. The council is likely to find it difficult to make the remaining savings where it is reliant on partners, like the IJB, which has delayed some planned savings initiatives while focussing on responding to the pandemic
- Midlothian Council were not able to make many of the savings originally planned for 2021/22 due to Covid-19. Areas of potential savings impacted by this include a planned implementation of a management review, cost reductions relating to digital service provision and efficiency targets within the place directorate. Covid-19 recovery planning has meant the transformation plans in place will now need to be reviewed and reset
- East and North Ayrshire councils both made good progress with transformation, particularly the development of renewal plans in response to Covid-19
- East Renfrewshire Council AAR reports that digitisation has been important to the council's pandemic response and to its reconfiguration of services. It has also established a new approach to manage the prioritisation of transformation projects and developed a savings template to outline the nature of the savings made

- IJB AARs note that there are risks around the future financial sustainability of some IJBs without transformation taking place at pace, particularly due to the levels of savings that will be required in some areas.

Part 4

Looking forward

123. The five-year audit appointment was due to end after the conclusion of the 2020/21 audit. As reported in the AARR last year, the Accounts Commission and the Auditor General took the decision to delay the appointment of new auditors for a year due to the impact of Covid-19 on the audit work and to give continuity to audit bodies during a challenging period.

Annual audit assessment of key risks

124. The annual audit work carried out by auditors is planned to address the key audit risks in each council. Alongside local government-level risks, local audit work will also be informed by local risks. The planning guidance sets out the expectations of the work auditors will do to report on these risks. The results of this work will be reported in annual audit reports for 2020/21.

125. Throughout 2021, auditors have advised Audit Scotland of any emerging issues and risks in audited bodies on an ongoing basis. These are reported to the Accounts Commission through the current audit issues papers presented quarterly to the Financial Audit and Assurance Committee and in my updates at Accounts Commission meetings. These inform Audit Scotland's public sector risk register.

Conclusion of the Best Value Audit Reports in councils

126. The final three BVARs planned are:

- Angus Council (June 2022)
- Shetland Islands Council (August 2022)
- Comhairle nan Eilean Siar (September 2022)

127. Where a BVAR has been published in a previous year, the annual audit report should include follow up of the auditor recommendations and any additional Accounts Commission recommendations included in their findings. Auditors should also make reference to their current judgement on the pace and depth of continuous improvement. This should reflect on the BVAR judgement and be updated for the results of follow up audit work. The results of this work will be reported in the next Annual Assurance and Risks Report.

Work programme – 2022/23 and beyond

128. In addition to the local audit work, annual AARR, annual financial and local government overviews and 6 monthly current issues report, our work programme includes:

Area of focus	Latest plans
* Community justice: Sustainable alternatives to custody	The recent Auditor General briefing paper on this topic highlighted that the Scottish Government had not achieved its aim to shift the balance of sentencing from prison to the community. This joint performance audit, which we plan to publish during Q3 2022/23, will extend our audit work to consider the roles and work of other key stakeholders, including local government and third sector.
** Climate change	In addition to our planned work in this area, Audit Scotland is developing a front-facing accessible data tool to improve transparency and scrutiny of progress on climate change. It will provide information and data on a range of climate change issues such as progress against emission targets, progress on key policies and milestones and information on adaptations. Both products are planned for Q3 2022/23.
* Social care	A series of themed performance audits will follow the social care briefing planned for January 2022, with the first planned in Q4 2022/23.
* Reviewing Scotland's financial response to the Covid-19 pandemic	In 2022/23 we will move into the recovery phase of our approach to following the pandemic pound, which will assess the wider impact on public finances of recovery from a pandemic. A performance audit planned for Winter 2022/23 will look at how budget headings and spending considerations have changed to meet the ongoing response to the pandemic as well as the recovery against backlogs and other costs of dealing with the aftermath of a pandemic.
* Mental health	We are proposing to undertake a performance audit on adult mental health services. We will start scoping this in January and plan to report during Q4 2022/23.
* Early learning and childcare	The next audit in this series will look at whether the expansion in funded early learning and childcare was delivered as planned and how much it cost. We plan to report in Q4 2022/23.
* Digital exclusion and connectivity	We are planning to publish a performance audit in 2023/24 on how the public sector is addressing digital exclusion and connectivity. We will also continue to look at digital exclusion through other audit work, such as overviews and our community empowerment work.
* Child poverty	In 2023/24 we plan to look at the progress made in achieving interim targets within the Child Poverty (Scotland) Act 2017. This will include looking at any additional plans and actions the Scottish Government is putting in place with local government and their partners to mitigate the new risks in this area created by Covid-19.

* Joint with the Auditor General

** Audit Scotland publication

Housing benefit performance audits

129. In view of the continuing adverse effects on council benefit services arising from the Covid-19 pandemic, the team carried out a thematic study in 2020/21 on 'The impact of Covid-19 on Scottish councils' benefit services'. A report published in October 2021 contained six recommendations for councils to consider in the event of a future high impact event occurring. It also identified a wide variance in resourcing levels across Scottish councils' benefit services and therefore, following discussion with the Accounts Commission, a thematic study on 'Resourcing the benefit service' was approved for inclusion in the 2021/22 work programme. This study is

currently being scoped by the team, and a report is planned for publication in October 2022. In addition, the team also plans to carry out two individual council HB performance audits during the year.

SPI Direction

130. The Accounts Commission issued a revised 2021 Statutory Performance Information Direction in December 2021 which requires a council to report on:

131. Statutory Performance Indicator 1: Improving local services and local outcomes

- Its performance in improving local public services, both provided by itself and in conjunction with its partners and communities.
- Progress against the desired outcomes agreed with its partners and communities.

132. The Commission expects the council to report such information to allow comparison (i) over time and (ii) with other similar bodies (thus drawing upon information published by the Local Government Benchmarking Framework and from other benchmarking activities).

133. The Commission expects the council to, in agreeing its outcomes with its partners and communities, report on how it has engaged with, responded to and helped to empower its communities, including those who require greater support.

134. Statutory Performance Indicator 2: Demonstrating Best Value

- Its assessment of how it is performing against its duty of Best Value, including self-assessments and service review activity, and how it has responded to this assessment
- Audit assessments (including those in the annual audit) of its performance against its Best Value duty, and how it has responded to these assessments
- Assessments from other scrutiny and inspection bodies, and how it has responded to these assessments.

135. Auditors have been asked to evaluate the effectiveness and appropriateness of the arrangements at each council to fulfil the above requirements and report their conclusions in their annual audit reports along with any recommendations for improvements in the arrangements.

Shared risk assessment

136. As a result of the pandemic and the stretch on resources across all the audit, scrutiny and regulatory bodies, the Strategic Scrutiny Group (SSG) agreed a light touch approach for 2022. The SSG's Scrutiny Improvement website, hosted by Audit Scotland, has been updated and contains details of all planned scrutiny work by council with links to individual scrutiny bodies' work programmes. This will be updated monthly coordinated by Audit Scotland staff. The arrangements for coordinating scrutiny at a local level continue to include members of the Local Area Network (LAN) for each council.

Best Value in IJBs

137. Our development of the audit of BV in IJBs approach recognised that IJBs are different from councils and merit their own reporting, beyond the current broader coverage within local government overview reporting. IJB BV audits will have a narrower focus than Best Value Audit Reports for councils given the need to be risk-based and proportionate and to limit fees on audited bodies.

138. The BV in IJB audits will focus on adding value and supporting improvement, while recognising the need to limit demands on IJB members and officers and noting the role for self-evaluation and Care Inspectorate (CI) and Healthcare Improvement Scotland (HIS) inspection work as important evidence sources. We have agreed to review their joint inspection schedule to consider the opportunities to align our best value audit schedule.

139. It is currently planned that beginning from October 2023, the Commission will receive a Controller of Audit (CoA) report for each IJB, alongside their AARs, once over the five-year appointment period.

140. However, the Scottish Government's commitment to implementing a new National Care Service which is currently to become operational by 2026 creates a significantly changed context for the Commission's current plans for auditing BV in IJBs which it will need to consider carefully. Not least because under the current proposals IJBs will cease to exist in 2026 and will be replaced by Community Health and Social Care Boards (HSCBs).

141. If the new NCS becomes operational, as planned, by 2026 this raises some important questions about our current plans for auditing BV in IJBs and whether our resources be used more effectively to add value, hold to account and support improvement:

- is there any value in only completing two years of a four-year programme of IJB BV audits?
- Are there better ways of maintaining a focus on health and social care quality and sustainability through:
 - the next and third health and social care performance audit due to start in 2023?

- national thematic performance audit work focused on action taken to address the critical issues in delivery of social care services highlighted in the Commission/AGS January 2022 social care briefing?
- a continued focus on IJB risks and performance through the annual audit?
- audit work on Scottish Government planning and preparations for the new NCS?

142. These are all issues the Commission will wish to consider as it develops its wider programme of health and social care-related audit work.

Integrated Best Value work

143. From 2022/23, under the [Code of Audit Practice 2021](#) Best Value audit work in Scottish councils will be fully integrated with the annual audit and after completion of the current programme of council Best Value audits in 2022, no further Best Value Assurance Reports (BVARs) will be produced. BV work will, in future, be reported in Annual Audit Reports (AARs) including annual risk based, follow up and thematic BV work.

144. Beginning in October 2023, when the first AARs of the newly appointed auditors will be published, AARs for each council will be reviewed by the Commission at least once over the five-year audit appointment to provide the Commission with assurance on BV in each individual council.

145. AARs for each council will be considered by the Commission under the cover of a statutory report from the Controller of Audit made under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation, including the Local Government in Scotland Act 2003). The sequencing of these reports will be based on a schedule which will be agreed with the Commission.

146. In addition, each year the Commission will now use this Annual Assurance and Risks Report to help identify thematic work for coverage by all auditors in the following year's audit. This new approach to thematic BV reporting, which is introduced as part of the new Code, will enable the Commission for the first time to report nationally on key Best Value related issues of interest on an annual basis.

Annual assurance and risks report

Local government

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PAPER BY: INTERIM CONTROLLER OF AUDIT

ANNUAL ASSURANCE AND RISKS REPORT 2022 AND OPTIONS FOR FUTURE THEMATIC BEST VALUE AUDIT WORK

Purpose

1. This paper sets out my conclusions on this year's Annual Assurance and Risks Report (AARR) 2022. The report also presents options for Best Value (BV) thematic annual audit work for 2022/23 for consideration by the Commission. These options are based on the key risks identified in the AARR in line with the process agreed in February by the Commission for identifying potential BV thematic work under the new [Code of Audit Practice 2021](#).

Annual Assurance and Risk Report: my conclusions

2. Based on the findings in the AARR I am assured that the audit work undertaken by local government auditors is providing good coverage of the Commission's priorities in councils. I am confident that areas of risk are well understood and there are plans in place to cover these risks through our audit work. This gives me confidence that when the Best Value approach changes under the next audit appointments from 2022/23, and becomes fully integrated into the annual audit, we will be able to continue to provide high quality work which reflects the Commission's BV auditing expectations and the requirements of the new Code of Audit Practice.
3. Notwithstanding this generally positive picture, in preparing the AARR I have identified two council AARs which did not explicitly report on whether the council in question had complied with its public performance reporting obligations under the Commission's 2018 Statutory Performance Information (SPI) Direction. I have followed this issue up with the auditor in the firm who published these AARs.
4. I shall also be liaising with local government appointed auditors to ensure that, as we enter the final year of the current round of audit appointments, follow-up audit work on all BVARs published to date takes place during 2022 and is reported in this year's AARs (2021/22). These audit findings will be used to inform the proposed scheduling of the first year of Best Value audit reporting on councils under the new Code of Audit Practice, as discussed with the Commission at its February meeting.
5. Looking beyond the audit work undertaken by local government auditors, the AARR highlights a number of significant strategic local government risks and challenges. Some of these relate to the ongoing impact of Covid-19 on local communities and council services, including the impact of the pandemic on the ability of some councils to progress their improvement and transformation agendas. Other risks, such as climate change and the long-standing pressures on social care services, predate the pandemic. The potential impact of the creation of a new National Care Service for Scotland by 2026 and the impact of the May 2020 local government elections on strategic leadership are also both major challenges facing local government in Scotland moving forward, as is workforce capacity. These major risks should, I believe, feature in the Commission's risk register.

6. The AARR provides good assurance that councils are making progress against the Commission's four key priorities (inequalities, funding, communities and recovery). It also shows that in most instances councils have robust arrangements in place to support the delivery of Best Value.
7. However, the AARR also highlights the need for further progress to be made by some councils against a number of important aspects of Best Value. These include:
 - strengthened leadership, including in some cases with partners, and an increased depth and pace of improvement
 - the need for more systematic approaches to self-evaluation to drive improvement
 - further action to be taken to address mixed progress in implementing aspects of the Community Empowerment (Scotland) 2015 Act, for example in relation to participatory budgeting
 - scope for improved performance reporting by councils to:
 - better demonstrate progress against local priorities (including with partners)
 - report more effectively on benchmarking activity and the use of the Local Government Benchmarking Framework (LGBF)
 - more clearly show how they are meeting the requirements of the Commission's Statutory Performance Information (SPI) Direction.
8. Audit responses to these risks are already well reflected in the Commission's work programme through ongoing local government annual audit work, BVARs, overview reporting, and performance audit work. I will, however, continue to monitor these risks to ensure that appropriate responses to them can either be reflected in the Commission's dynamic work programme or through reporting to the Commission under my S102 powers.

Options for Best Value thematic work for 2022/23 audits

9. Reflecting on the systemic risks facing the Local Government sector we have used the AARR to identify a high-level risk register for Local Government (Table 1 below). In preparing the table we have:
 - organised the identified risks against the Commission's four strategic priorities
 - mapped them against the Best Value themes set out in the [revised 2020 Best Value statutory guidance](#)
 - identified where these risks are already being covered as part of the Commission's wider work programme (eg. BVAR, overview, performance audit or annual audit work)
 - used a Red, Amber, Green status (RAG) to identify areas where thematic work could have most impact (red being most significant gaps in audit work coverage, amber partial coverage, and green identifying full coverage in existing work).
10. The key risks set out in Table 1 not only draw on the findings in the AARR but also draw on and reflect engagement with local government auditors during 2021/22 at sector meetings, local government forum meetings, and audit partner meetings with the firms. The table also incorporates key risks identified by local government auditors in the

Controller of Audit current issues reports to the Commission's Financial Assurance and Audit Committee (FAAC).

11. The main purpose of this table is to support the Commission in identifying which overarching BV theme it believes is most likely to generate greatest national and local impact if it is selected for inclusion in annual audit planning guidance in autumn 2022.
12. What I am seeking from the Commission today is an indication of which statutory BV theme (eg. Vision and Leadership, Governance and Accountability, Effective Use of Resources, Fairness and Equality, Partnership and Collaborative Working, Working with Communities, or Sustainable Development) is the Commission's preferred candidate for Year 1 BV thematic work under the new Code of Audit Practice. It would be useful if as part of that discussion the Commission is able to highlight any specific areas of focus it would like to see covered within the chosen priority BV thematic area.
13. Once the Commission has identified a preferred broad Best Value theme at today's meeting, this will be considered by the Commission as part of its wider strategic considerations as part of its Strategy Seminar.

Table 1: AARR Risks by BV theme: planned or current audit coverage and risk-assessed potential thematic BV work

Commission Strategy (2021/26) Priority Themes	Risks identified from 2021 audit evidence	Link to planned or current audit work including an assessment of current levels of audit coverage in the Commission's work programme	Related BV Theme RAG assessment of potential for BV thematic work
Inequalities	Councils fail to address the longstanding and significant inequalities experienced in their communities, many of which have been exacerbated by the impact of the Covid-19 pandemic. These include the poverty-related education attainment gap, inequalities of access to high quality sustainable employment and the potential impact of current cost of living rises.	<p><i>Partial:</i> There is some coverage of equality-related issues as part of appointed auditors' wider scope annual audit work (Use of Resources and Improving Outcomes).</p> <p>Equalities issues will also be reported through the AAR if previous BV work has identified that improvements are required in this area or equality-related risks have been identified during local audit risk assessments.</p> <p><i>Partial:</i> Local Government Overview</p> <p><i>Partial:</i> cluster monitoring of poverty, health outcomes, employment, and education attainment</p> <p><i>Full:</i> The joint AGS/Commission planned performance audit on Child poverty will focus heavily on equality-related matters.</p> <p><i>Full:</i> Audit Scotland's ongoing development of an equalities and Human Rights based auditing approach</p>	<p>Fairness and Equality</p> <p>There is partial coverage of the BV theme in some existing work (national and local), but potential exists for specific focus through local BV theme work.</p>
Funding	Councils and integration joint boards (IJBs) struggle to deliver long term sustainable financial	<i>Full:</i> Local annual audit and BVAR work on Financial Management and Financial Sustainability	Vision & leadership

Commission Strategy (2021/26) Priority Themes	Risks identified from 2021 audit evidence	Link to planned or current audit work including an assessment of current levels of audit coverage in the Commission's work programme	Related BV Theme RAG assessment of potential for BV thematic work
	and service planning in the context of reducing levels of funding and ongoing uncertainties over longer-term funding settlements.	<i>Full:</i> Local Government Financial Overview and IJB Financial Overview	Governance and Accountability Effective Use of Resources These BV themes are already fully covered in existing annual audit and BVAR audit work so not proposed as an option for local BV thematic work
Communities	<p>Councils do not deliver improved outcomes for communities because:</p> <ul style="list-style-type: none"> limited opportunities are provided for communities to influence or take control of decision-making processes and/or local services there is ineffective collaboration with Community Planning Partnerships and third sector partners councils focus on recovery not renewal performance against strategic priorities deteriorates as a consequence of financial and demand pressures. 	<p><i>Full:</i> Communities BV themes are central to all current BVAR reporting.</p> <p><i>Partial:</i> The annual audit routinely includes risk-based wider scope audit work on Vision, Leadership and Governance and the Use of Resources to improve outcomes.</p> <p>Communities issues will also be reported through the AAR if previous BV work has identified that improvements are required in this area or relevant audit risks have been identified during local audit risk assessments.</p> <p><i>Partial:</i> Local Government Overview (includes links to LGBF reports and CPOP reports, and IS Covid dashboard)</p> <p><i>Partial:</i> SPI coverage in AARs/BVARs</p> <p><i>Partial:</i> Performance audit work on digital exclusion and connectivity</p>	<p>Vision & leadership Effective Use of Resources Partnerships and Collaborative Working Working with Communities Fairness & equality</p> <p>These BV themes are currently fully covered in BVAR audit work, but this will not be the case under the new audit approach.</p> <p>There is therefore potential to look at individual councils' approaches to implementing the ambitions of the Community Empowerment Act.</p>
Recovery	<p>There is insufficient leadership capacity and skills at elected member and senior officer level:</p> <ul style="list-style-type: none"> to deliver the transformation required for Covid-19 recovery and renewal at sufficient pace to address underlying financial sustainability challenges that pre-date Covid 	<p><i>Full:</i> Reporting on councils' approaches to Covid-19 recovery is now embedded in all current BVAR reports.</p> <p><i>Partial:</i> Local limited wider scope audit work reported by exception on Vision, Leadership and Governance and the Use of Resources.</p> <p><i>Partial:</i> Local Government Overview</p> <p><i>Partial:</i> Scottish councils' ability of to deliver key national policy commitments and 'build back better'</p>	<p>Same BV themes as Communities (see above).</p> <p>Partial coverage through existing work but leadership challenges and local government elections in 2022 mean there is potential for BV thematic work around elected</p>

Commission Strategy (2021/26) Priority Themes	Risks identified from 2021 audit evidence	Link to planned or current audit work including an assessment of current levels of audit coverage in the Commission's work programme	Related BV Theme RAG assessment of potential for BV thematic work
	<ul style="list-style-type: none"> to deliver other public policy commitments e.g., net zero, reducing child poverty, reducing homelessness for effective scrutiny and challenge to develop the workforce to deliver transformation and improvement. 	<p>in the context of Covid-19 recovery will be assessed in the following performance audits: child poverty; mental health; digital exclusion and connectivity; climate change.</p>	<p>member leadership, member training, scrutiny and challenge, strategic workforce planning and/or staff development.</p>

Source: Audit Scotland

14. Table 1 shows that the Commission's strategic priority theme of funding and the related Best Value themes of Vision and Leadership, Governance and Accountability and Effective Use of Resources are all comprehensively covered through existing and future annual audit work. The picture across other Commission strategic themes (Inequalities, Communities and Recovery) and their related Best Value themes is more mixed, with potential gaps in coverage in some important local government risk areas identified in the AARR.

Where might Best Value thematic work for 2022/23 audits add greatest value?

15. Examining the risks and existing work outlined above, there are some areas where there is less or partial audit coverage that the Commission may wish to focus on through its themed Best Value approach. These include leadership (including workforce capacity), community empowerment and inequalities.

Leadership theme (including staff and workforce issues) (Red status)

16. With the local government elections imminent, the Accounts Commission decided at its scoping meeting for the Local Government Overview 2022 (due for publication in May), that leadership and collaboration should be a theme running throughout that report, building on the lessons learned in the response to the pandemic in affecting change at pace, but also as a 'primer' for new elected members including re-establishing an Elected Members Checklist.

17. The combination of the May 2022 local government elections and the extraordinary pressures on local government at this time mean that the quality of leadership and scrutiny in this sector is more important than ever, not least when the evidence from recent BVARs suggests that leadership across the local government sector, particularly in relation to the delivery of change and transformation, remains variable. Whilst councils have generally responded very well to the leadership challenges generated by the Covid-19 pandemic, questions still remain about whether that leadership drive, and in particular the collaborative leadership demonstrated with partners, can be maintained. A further two key areas of leadership uncertainty which will be of interest to the Commission relate to:

- how quickly new administrations formed after this May's local government elections are able to establish clear priorities for change and improvement within their area, and

- the leadership risks within IJBs, but also more widely across the health and social care system, created by the uncertainties created by the proposed new National Care Service (NCS).
18. Local auditors' experience of council audits this year tells a story of a sharp increase in the volume and scale of errors in the annual accounts, reflecting the pressures on council finance staff. This highlights staff capacity issues within local government finance teams which are a risk moving forward. There has also been a noticeable reduction in the level of scrutiny by elected members of the AARs and accounts which underlines the need for a renewed focus on the quality and effectiveness of elected member scrutiny.
 19. For all of those reasons, it is proposed that the Accounts Commission consider leadership as an option for the theme of its national Best Value work for 2022/23 under its priority of 'recovery'.
 20. The theme of leadership could also allow the Commission to take a 'deep dive' on a specific leadership and scrutiny challenge in relation to other improvement areas as set out in the AARR. For example, leadership in:
 - delivering transformation, or
 - reducing inequalities, or
 - improving performance reporting against priorities and evidencing outcomes, or
 - driving forward community empowerment and participatory budgeting.
 21. Alternatively, the Commission could choose to focus on a specific area in relation to either elected member or officer leadership and development. The Commission may also wish to consider strategic workforce planning and staff development as an option for BV thematic work given the pressures on local government staff experienced during the pandemic and the known workforce capacity issues linked to emerging risks around recruitment to key local government roles.

Community empowerment theme (Amber status)

22. Based on the risks identified in Table 1, there are some gaps in audit coverage in the Commission priority of 'communities'. With that in mind, instead of focusing on leadership, the Commission may wish to consider aspects of community empowerment for their thematic work. This would allow the Commission to undertake a deeper dive into this long-standing area of strategic interest to many Commission members where BVAR evidence suggests wide variation in performance by individual local authorities. For instance, the Commission could choose to focus their specific 'ask' on areas such as:
 - how councils have involved communities in setting their new council priorities and objectives
 - participatory budgeting and asset transfer trends
 - involvement in decision-making on service changes and transformation.
23. Local BV thematic work in the area would also provide a powerful opportunity for the Commission to gather evidence of good practice with an emphasis on the difference that effective implementation of the Community Empowerment (Scotland) Act 2015 is having on individuals and communities.

Inequalities theme (Amber status)

24. In addition, based on the risks identified in Table 1, there are also some gaps in audit coverage in the Commission's priority of 'inequalities'. The Commission may therefore wish to consider aspects of inequalities for its thematic work. For instance, the Commission could choose to focus its specific 'ask' on areas such as:

- how councils have reflected addressing inequalities in their new priorities and the extent to which there are coherent plans that can be measured, and progress demonstrated
- how councils are focusing on inequalities exacerbated by Covid-19 and directing resources to vulnerable groups and communities including addressing backlogs
- how councils are focusing on reducing poverty, or
- how councils are focusing on tackling homelessness.

Recommendations

25. The Commission is asked to:

- Consider the risk analysis and work programme coverage (Table 1).
- Identify one of the following broad themes for local BV thematic audit work in 2022/23:
 - Leadership
 - leadership of specific policy implementation
 - elected member/officer strategic leadership
 - staff support and development
 - strategic workforce planning.
 - Community Empowerment
 - community involvement in the setting of new council priorities and objectives
 - participatory budgeting and asset transfer trends
 - community involvement in decision-making on service changes and transformation.
 - Equalities
 - measuring and reporting
 - actions being taken to address Covid-19 related equality impacts
 - specific targeted equality-related audit work (e.g., addressing poverty, homelessness).

Antony Clark
Interim Controller of Audit
28 February 2022

MEETING: 10 MARCH 2022

REPORT BY: SECRETARY TO THE COMMISSION

WORK PROGRAMME: STAKEHOLDER CONSULTATION FEEDBACK 2022

Purpose

1. This report summarises the key messages from the Commission's consultation on its work programme for 2022 and beyond and asks the Commission to consider responses from stakeholders in the context of its work programme (which is the next item on today's agenda).

Consultation

2. The Commission is required by statute to consult with its local authority stakeholders before undertaking its audit work.¹ In January and February 2022 stakeholders were invited to comment on the proposed work programme the Commission considered at its meeting in January 2022. The [consultation](#) outlined the draft work programme and asked stakeholders:
 - Do you think the Commission has identified the right priorities and topics for its work?
 - Do you think the timing and sequencing of the work programme is right? Are there any areas that could be brought forward or moved back?
 - Do you think there are any other areas the Commission should be considering?
3. The consultation closed on 18 February 2022. Over 100 stakeholders were consulted, comprising council chief executives, chief officers from Integration Authorities, members of the Strategic Scrutiny Group and third sector representatives. We received 25 responses comprising 16 councils, two Integration Authorities and five other representative bodies including SOLACE Scotland, the Improvement Service and the Scottish Government's department for local government and analytical services. COSLA also still plans to respond and we will share its feedback verbally at the meeting on 10 March. The response rate is an improvement on the 18 responses (including 11 councils) we received in 2021. Individual responses have been collated and summarised on the [members' SharePoint site](#).

Summary of feedback from the consultation exercise

4. Respondents welcomed the opportunity to provide feedback and overall were very positive about the content, timing and flexibility of the programme. This gives the Commission assurance that it is addressing risks and issues that are important to the local government community.
5. In [Table 1](#), we summarise the feedback under the five themes of the joint work programme. The 'Planned work' rows include Accounts Commission, joint or related Auditor General or Audit Scotland outputs planned up until October 2022 and then between October 2022 and March 2024, as per Appendix 1 in the Director's paper. Where the type of output (eg performance audit or briefing paper) has been confirmed, this is also included.

¹ 1973 Local Government (Scotland) Act, section 97A(3).

Table 1. Summary of consultation responses and planned work (slide numbers refer to Appendix 1 at item 10)

Theme 1: Economic recovery and growth – consultation responses
<ul style="list-style-type: none"> - Five respondents supported the proposals around the review of Scotland’s financial response to Covid-19, with suggestions including: <ul style="list-style-type: none"> • The likely need for further reviews as local authorities continue to disburse Scottish Government Covid-19 grants. • Considering reporting examples of best practice that should be continued into recovery. • The need to look at costs associated with running courts within the justice pipeline. - Three respondents commented on the absence of any planned work around the implications of EU exit, noting that: <ul style="list-style-type: none"> • EU Exit has impacted on availability of some staff groups, problems with procurement, inflated costs, and impacted on service delivery • A review of the new government funding programmes to replace EU programmes now and in the future might be useful.
Planned work 2022
<p>Performance audits</p> <ul style="list-style-type: none"> - Reviewing Scotland's financial response to the Covid-19 pandemic (June, joint) <p>Briefing papers</p> <ul style="list-style-type: none"> - Scotland’s economy: Supporting businesses through the Covid-19 pandemic (March, joint)
Planned work October 2022 to March 2024 (slide 15)
<ul style="list-style-type: none"> - Audit Scotland’s national database of UK and Scottish Covid-19 funding announcements - Planned research and development work to scope audit work in this area, including: <ul style="list-style-type: none"> • The Scottish Government’s new 10-year strategy for economic transformation. • Strategic capital investment, building on the January 2020 audit on privately financed infrastructure investment and looking at the Scottish Government’s Medium Term Financial Strategy and updated Climate Change Plan. • The implementation of schemes designed to replace the EU Structural, Social and Agricultural Funds. • Developments affecting City Region and Growth Deals and the impact of our previous performance audit report.
Theme 2: Policy priorities and outcomes – consultation responses
<ul style="list-style-type: none"> - Climate change: <ul style="list-style-type: none"> • 11 respondents explicitly supported the proposals around work on climate change, highlighting particularly strong support for this work. One Health and Social Care Partnership suggested it should not be a priority given the immediate impact of the pandemic. • Four asked questions around the scope of the work. In particular whether the work

would look at the role of the Scottish Government in supporting councils to deliver national targets.

- Three respondents commented that this should be one of the Commission's strategic priorities.
- One suggested that the note that the proposed data tool could be useful but needs to be aligned with other work on data, so as not to further clutter the landscape

- **Social care and the proposed National Care Service**

- Seven respondents supported work in this area, in particular noting the value of an independent view of the issues and the need to look at the impact the proposed National Care Service will have on local government.

- **Drugs and alcohol**

- Three respondents supported this work, encouraging the Commission to look at impact not just activity, as well as recognising the important role of the third sector.

Planned work 2022

Briefing papers:

- Climate change: Local government targets and plans (August)

Other:

- Climate change: Baseline Review (February, Audit Scotland)
- Drugs and alcohol (March, joint)
- E-hub: Lifelong learning (April, Audit Scotland)
- Social security: Implementation of devolved powers (May, Auditor General)

Planned work October 2022 to March 2024 (slides 16-17)

Performance audits

- Social care (joint)
- Community justice (early 2023, joint)

Other

- Climate change – longer term approach and priorities to be discussed with the Commission and Auditor General later in 2022
- Early learning and childcare (joint)
- Drug and alcohol services (joint)

Theme 3: Inequalities and human rights – consultation responses

- Nine respondents explicitly supported this strategic priority and noted the intersectionality across multiple areas of the work programme.
 - Two respondents questioned why there was no explicit mention of food and fuel poverty. They note that these are key risks for local government, with anticipated impacts on tax and rent arrears as well as increased demand for welfare and support services.
 - One respondent suggested that it would be useful to reflect how inequality is being challenged across all pieces of work. They note that if council services are not

accessible to those who are most disadvantaged then the deep-rooted inequalities will never be tackled.

- One respondent requested clarity on what is meant by a human rights-based approach
- **Child poverty**
 - Seven respondents supported this work, with one suggesting bringing it forward and one asking for details on the scope.
- **Mental health**
 - Five respondents supported this, with one suggesting that this should include consideration of children's mental health and another the mental health of prisoners.
- **Digital exclusion**
 - Supported by three respondents, with two expressing disappointment in its delay.
 - One respondent highlighted that digital transformation is a focus of many transformation plans but digital exclusion is a barrier to adoption of online services.
 - One respondent noted that this cuts across all four of the Commission's strategic priorities and is key to successful recovery (and growth) at an individual, local economy and national level.
- **Children with additional support needs**
 - Two respondents noted their support for the work on services in this area.

Planned work 2022

Other

- Child poverty (June, joint)
- Services for children with additional support needs (May)

Planned work October 2022 to March 2024 (slide 18)

Performance audits

- Mental health (joint)
- Digital exclusion and connectivity (joint)

Theme 4: Innovation and transformation – consultation responses

- **Local Government Overview reporting:**
 - Four councils noted disappointment that the financial local government overview is not due to be published until March 2022. They note that this is too late for councils to include in council budget considerations (as has been helpful in previous years).
- **Digital innovation**
 - Two respondents noted that this needs more focus, to look at the challenges facing, for example Integration Joint Boards and prison healthcare.
- One respondent suggested that the Commission consider publishing an overview report including best practice examples of the successful implementation of transformational change (see paragraph 7).

Planned work 2022

Overview reports:

- Local government finances 2021 (March)
- Local government challenges and performance 2022 (May)
- Financial analysis of Integration Joint Boards (IJBs) 2020/21 (June)

Best Value Assurance reports:

- Moray Council follow up (March)
- Angus Council (July)
- Shetland Council (August)
- Comhairle nan Eilean Siar (September)

Other

- Digital connectivity: R100 update (March, Auditor General)

No other thematic audit products under this theme are planned for 2022, but the topics are interwoven throughout the programme and will feature throughout annual audits, overviews and other outputs.

Planned work October 2022 to March 2024 (slides 19 and 20)

Overview reports

Audit Scotland will monitor the impact of the 2020/21 local government overview reports as well as the financial analysis of IJBs. Audit Scotland will support the Accounts Commission to consider the focus and format of local government overview reporting in 2023 and beyond to maximise reach and impact.

Best Value (BV) assurance reporting

- In Q2 of 2023/24 Audit Scotland plan to deliver a legacy thematic summary of BV best practice examples covering the last six years of BV reporting.
- From 2022/23 Best Value work in councils will be fully integrated within Annual Audit Reports (AARs).
- The first AARs under the new audit appointments and new BV approach will be available in Q3 2023/24.

Theme 5: Governance and accountability– consultation responses

Collaborative leadership

Three respondents suggested that the Commission should look at the relationship between the Scottish Government and local government more closely.

- One noted the increasing levels of directed spend and ring-fencing and that there was a need to assess the capacity for local government to respond.
- One suggested that the Scottish Government are limiting the ability of local government to address community needs in delivering universal provision of services e.g., free school meals.

Fraud risks

- One respondent suggested raising awareness around key fraud risks, citing recent publicity in relation to waste crime and the increased presence of serious organised crime groups within the sector as examples of current risks to local authorities and communities.

Effective and efficient scrutiny

<ul style="list-style-type: none"> - Three respondents commented on the importance of coordinating with the Strategic Scrutiny Group, whilst also being aware of the workplans of individual internal audit functions, to avoid duplication.
<p>Planned work 2022</p>
<p>Annual Audit Reports</p> <ul style="list-style-type: none"> - 102 (98%) Local Government accounts had been certified as at 21/02/22 <p>Statutory reports</p> <ul style="list-style-type: none"> - Section 102: Orkney and Shetland Valuation Joint Board (March) <p>Annual Assurance and Risks Report</p> <ul style="list-style-type: none"> - To be considered by the Commission under item 8 of today's meeting <p>Other</p> <ul style="list-style-type: none"> - National Fraud Initiative in Scotland (August 22, Audit Scotland) - Data governance/ethics roundtable (Q2 2022-23), Audit Scotland
<p>Planned work October 2022 to March 2024 (slide 21)</p>
<p>Following the pandemic pound</p> <ul style="list-style-type: none"> - Audit Scotland plan to review the impact of the 2022 performance audit on reviewing Scotland's financial response to the Covid-19 pandemic (under theme 1, above) and propose how best to follow up, looking at changing budget headings and spending considerations as well as financial management and sustainability. <p>Annual Assurance and Risks Report</p> <ul style="list-style-type: none"> - This will draw on the 2021/22 AARs and is due in March 2023

6. Other suggestions for specific areas of work the Commission consider incorporating in the programme included:

- Overview reports on best practice examples of:
 - successful implementation of transformational change
 - community planning and empowerment
 - responses to Covid-19
- Commercialisation in the local government sector
- Youth justice
- Following the public pound and Arm's Length External Organisations
- Cyber security
- Culture and leadership
- Re-introduce the 'how councils work' series of reports (to support new councillors from May)
- Follow up on the outcomes for school education report
- Housing
- Place / place-based approaches, given the role of local government in some related policy commitments, e.g., 20-minute neighbourhoods.

7. In some more general comments on the work programme, three respondents implied that the programme seemed to be more focused on social policy areas of council activity and perhaps light on some other areas of council activity, for example regulatory services, roads, planning or waste services. They note that this is particularly important due to the demographics of the workforce, the talent pipeline, the resourcing of these services and increased demand arising as a result of, for example, EU exit and the pandemic response.

Next steps

8. Most immediately, the Commission has the opportunity today to consider the outcome of its stakeholder consultation in the context of its quarterly refresh of its work programme, which is the next item on today's agenda.
9. The Chair will finalise joint aspects of the work programme with the Auditor General before the programme is refreshed on Audit Scotland's website.
10. The Commission Support Team will share the feedback with Audit Scotland's policy clusters and audit teams who will continue to consider the responses as the work programme is developed and audits are scoped. The feedback will also be shared with appointed auditors.
11. Once the work programme has been agreed, I and the Commission support team will:
 - update, on behalf of the Commission, all of the consultees with the programme, including a summary of the consultation responses.
 - promote the work programme in the Commission's newsletter for interested community and third and voluntary sector representatives in March.
 - ensure the work programme is reflected in planned promotion activities in the members' communication schedule.
12. Together with Audit Scotland the Commission support team will continue to consult with other stakeholders on the work programme, including Audit Scotland's external Equality and Human Rights Advisory Group. Any feedback will be fed into the next refresh that the Commission will consider in June 2022.

Conclusion

13. The Commission is invited to:
 - a) Consider responses from the consultation together with Interim Director of PABV's work programme proposals (agenda item 10).
 - b) Provide comment on feedback in Table 1 and suggestions for the additional pieces of work outlined in paragraphs 6 and 7.

Paul Reilly
Secretary to the Commission
2 March 2022

MEETING: 10 MARCH 2022

REPORT BY: INTERIM DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

STRATEGY AND WORK PROGRAMME: WORK PROGRAMME UPDATE

Purpose

1. This paper introduces for consideration the latest refresh of the joint Accounts Commission and Auditor General for Scotland (AGS) work programme.

Background

2. In April 2021 the Commission and the AGS agreed the joint dynamic work programme. We published this on the Audit Scotland website on 24 May 2021. This is the third quarterly update of the programme and the next update will be in June 2022.

Scope and approach

3. Appendix 1 presents the work programme update. It aims to provide one report that meets the needs of the Commission and the AGS, with clarity on who is producing which products and when. It covers our whole range of audit work and includes:
 - a) **What we've delivered:** From December 2021 to February 2022.
 - b) **What's coming up:** Planned audit products from March 2022 to September 2022, and audit work in the pipeline from October 2022 to March 2024.
 - c) **Decisions required:** Proposed changes to the programme.
4. This update reflects feedback received from the Commission in December about the work programme update including a more comprehensive view of the longer-term work programme. We have included all key areas where we have audit products planned or where there is significant research and development work planned to scope potential audit products to include in future work programme proposals.
5. In this update report our key messages continue to emphasise the comprehensive and ambitious programme and the pressure on our publications schedule due to the local government election moratorium from the end of March until early May. Reflecting on conversations with the AGS and Interim Deputy Chair of the Commission at the joint work programme meeting in December, we have noted our plans to protect capacity in our teams for research and development to support longer-term planning plus contingency to respond to urgent requests.
6. To support the dynamic programme, we continue to review and analyse feedback and discussions from Accounts Commission meetings and Performance Audit Committee (PAC) and Financial Audit and Assurance Committee (FAAC) meetings, including recent strategic discussions on inequalities and public sector reform. We share this analysis with senior managers in Performance Audit and Best Value (PABV) to inform programme development and this update.

Wider work programme development

7. Accounts Commission members will see some of their feedback addressed through specific audit work over the coming months and in the longer-term programme, while some feedback will be addressed through our wider work programme development plans.

Impact reporting

8. We continue to develop a refreshed approach to impact monitoring and reporting. This is summarised in Figure 1. As noted in December we are aiming to look at this across all audit work, including financial audit, performance audit and Best Value, and ensure it aligns with the Commission's ambitions in its draft communications strategy to better gauge the impact of its role and work.

9. The proposed approach will consider impact on a short, medium, and long-term basis using a range of monitoring and evaluation approaches. Our historical approach of delivering impact reports has covered much of the basic monitoring and short-term evaluation outlined in Figure 1. But we recognise that impact reports are resource-intensive and have questioned how much value they add compared to prioritising resources on research and development and audit delivery. Furthermore we are concerned about dedicating significant resources towards impact reports on performance audit work that included recommendations developed pre-pandemic when many aspects of policy have moved on significantly since then.

10. Within the revised approach we are looking to develop more flexible impact monitoring options we can apply, which are appropriate to the intended impact and scale of the original work, as well as how it may have moved on since the pandemic. For example this might include research and development leading to follow up audit work or audits with several parts, impact reports or blogs, feedback from stakeholders and recommendations tracking.

Figure 1: Proposed approach to impact monitoring and reporting

		What	How	Who
Existing	Basic monitoring (0-18 months)	What traction are our products getting? Who are we reaching?	Product by product reach and engagement: Media Social media Web Conferences Committees Announcements	Comms Audit teams
	Short-term evaluation (6-18 months)	What's happening with our recommendations? What do stakeholders think of us?	Product by product recommendations tracking: Progress Effectiveness Reflections Stakeholder feedback	Audit teams AQA Comms
Proposed	Long-term evaluation (18 months +)	What difference have we made through public audit?	Package of products: Track impact of our products on AGS/AC priorities	Audit teams External perspective

11. We are aware the Commission is interested in impact monitoring and reporting plans for several of its reports, as discussed at its August meeting. We are not planning to produce specific impact reports on these three areas. Below is an outline of how we intend to follow up on these areas through current reporting plans and future research and development work:
- a) **Councils' use of arm's-length organisations (May 2018)** - Through local government overview reporting we continue to highlight issues with the financial sustainability of arms-length external organisations (ALEOs), including due to the impact of the pandemic, drawing on specific examples of those hardest hit and on high level data from COSLA, where this is available. We will continue to liaise with local auditors as part of our annual accounts work to understand risks and performance of ALEOs including as part of the local government sector meetings.
 - b) **Scotland City Region and Growth Deals (January 2020)** - As part of our proposed research and development work on economic development we will keep under review developments to, and delivery of, City Region and Growth Deals. This will review progress against the recommendations in our previous performance audit and consider changes to the City Deals approach, for example to address regional inequalities and tackle climate change.
 - c) **Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models (January 2020)** - Our planned research and development work on strategic capital investment will build on this audit by considering progress against the recommendations, as well as looking at the Scottish Government's Medium Term Financial Strategy and updated Climate Change Plan.

Consultation and engagement

12. Agenda item 9 presents feedback from the Commission's recent consultation on its work programme. We have noted the broad support and positive responses around the Commission's priorities and about the content and timing of the work programme, particularly around climate change, inequalities including child poverty, social care and the financial response to Covid-19. Between now and the next work programme update in June we will work with the Commission Support Team to understand the detailed feedback and the implications of this for audit work currently in the programme as well as for future work programme proposals.

Annual stocktake

13. As part of wider developments to the work programme we would like to have an annual stocktake session on the work programme with the Commission outside the regular update sessions, the next of which are in June and September. This would focus on progress with delivery over the last year, internal and external feedback on how the work programme has changed, outcomes from the Commission's strategy session in March and the new Chair's priorities and future opportunities for development, including:
- a) **Outcomes and priorities:** Moving to a more outcomes-focused programme linked to Commission and AGS priorities.
 - b) **Research, monitoring and evaluation proposals:** Sharing thinking on coordinating research, monitoring, evaluation and engagement activity to support more agile audit responses, improve information for decision making, support continuous improvement and help make the case for the value of public audit.

- c) **Pace and governance:** Discussing whether we have done all that we can to streamline governance and increase pace to deliver a more flexible and agile programme.

Conclusion

14. The Commission is asked to:

- a) Note the progress delivering the work programme from December 2021 to February 2022.
- b) Note the planned products up to September 2022 and identify its priorities within these plans.
- c) Discuss and agree the proposed changes to the programme, summarised on slides 12-14 of Appendix 1.
- d) Discuss and feedback on the audit work in the pipeline for October 2022 onwards, summarised on slides 15-21, noting that this is flexible and can be revisited as part of future work programme updates.
- e) Agree to delegate to the Chair and Interim Deputy Chair final approval for this update at a joint meeting with the AGS on 21 March 2022.
- f) Agree that impact reports are not required on the performance audits outlined in paragraph 11.
- g) Agree to have an annual work programme stocktake session outside of regular work programme updates that can allow for more time to discuss the points in paragraph 13.

Antony Clark
Interim Director of Performance Audit and Best Value
23 February 2022

Dynamic work programme – Update

March 2022

AUDITOR GENERAL 

ACCOUNTS COMMISSION 

- We are delivering a comprehensive and ambitious programme with major products due between March and the summer parliamentary recess.
- We continue to see the impact of delays to financial audit and wider availability of data to support our work, which is having a knock on impact on scheduling and resourcing work into 2022/23.
- The local government election moratorium is putting pressure on the publications schedule in May and June. We have had to make difficult decisions about the timing of publications based on ensuring timely reporting and balancing AGS and Commission priorities.
- We are aiming to ensure PABV colleagues are not all fully allocated to audit product delivery from April 2022 onwards so we can focus on research and development to inform the future work programme, as well as ensure contingency to be able to respond to urgent requests for new audit products. R&D and contingency are two separate and equally important aspects of planning and resourcing our work in an agile and responsive way.

What guides our planning and delivery...

Providing assurance and driving improvement

We will use our unique local and national perspective to provide assurance about how Scotland's public services are responding to Covid-19. We will aim to provide insight and learning, and drive improvement, innovation and transformational change as Scotland moves towards recovery and renewal.

Taking a person-centred approach

Where possible and appropriate, we will capture the needs and concerns of the people who use public services through our audit work.

Integrating cross cutting issues

We will integrate thinking on issues that cut across policy areas and have an impact on citizens and service users throughout our audit work. For example: prevention, digital, inequality and human rights, climate change, community engagement

Taking a risk-based and proportionate approach

We recognise the potential impact of audit work on people working in public services who are still responding to Covid-19. We will ensure our audit response is proportionate and risk-based, and that audited bodies have clear advance notice of any planned work.

Being flexible and agile

We will adapt our work programme as new issues emerge or risks change. We will use a range of approaches to report our audit work.

£ ECONOMIC RECOVERY AND GROWTH

How public money is being used to support economic recovery and the renewal of public services

- Public finances
- Supporting jobs, business and enterprise
- Skills and training
- Infrastructure investment and low carbon economy
- Impact of EU withdrawal

GOVERNANCE AND ACCOUNTABILITY



How public bodies are ensuring proper and effective use of public money across the public sector and within individual bodies

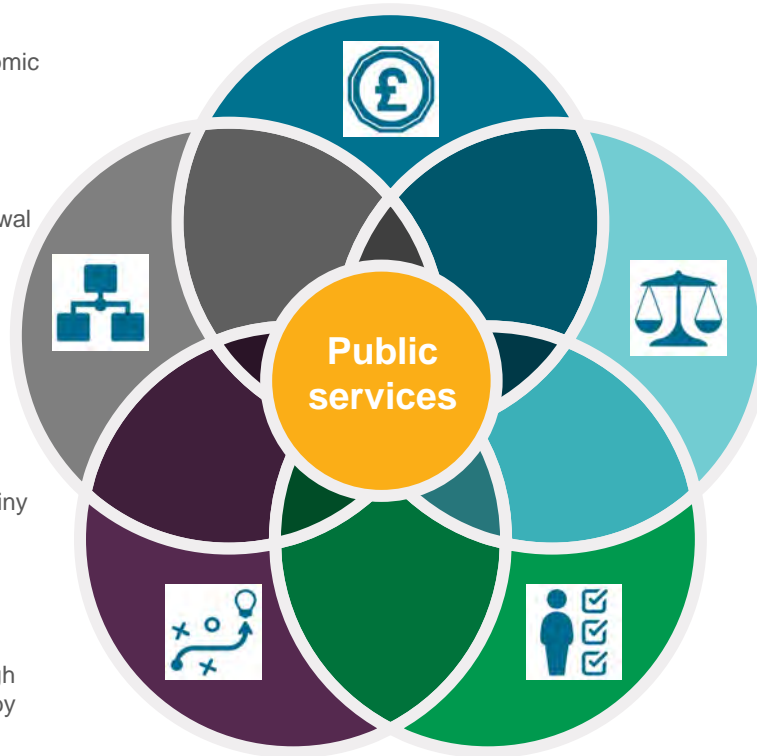
- Following the pandemic pound
- Collaborative leadership
- Annual audits
- Fraud risks
- Effective scrutiny



INNOVATION AND TRANSFORMATION

How public bodies are learning through continuous improvement, innovation and by transforming public services

- Local government
- NHS
- Best Value
- Service redesign
- Digital transformation
- Workforce planning



INEQUALITIES AND HUMAN RIGHTS



How Covid-19 is impacting on different groups in society, focusing on the risk of deepening existing inequalities. Helping ensure public bodies address inequalities and protect human rights, recognising the multiple ways people experience disadvantage and poorer outcomes.

- Child poverty
- Children and young people with additional support needs
- Care experienced children and young people
- Mental health
- Housing benefit
- Digital exclusion
- Social security



POLICY PRIORITIES AND COMMITMENTS

Progress on key policy commitments. Public services' ability to deliver on long-term strategic priorities and outcomes

- Health and social care integration
- Early learning and childcare
- School education
- Community empowerment
- Community justice
- Courts backlogs
- Climate change

What we've delivered: December to February

Best Value Assurance Reports

Falkirk Council

Performance audits

Planning for skills

Overview reports

NHS in Scotland 2021

Briefings

Social care

Key:

Auditor General for Scotland

Accounts Commission

Joint – Auditor General and Accounts Commission

Audit Scotland

Statutory reports

National Records of Scotland

Bòrd na Gàidhlig

NHS Highland

Scottish Government consolidated accounts

Commissioner for Ethical Standards in Public Life

Scottish Environment Protection Agency

Scottish Canals

Other audit products

Statutory Performance Information Direction 2021 and supporting blog: Public performance reporting - why it matters

Administration of Scottish Income Tax 2020/21

Climate change AAR pilot: Transport Scotland 2020/21

AGS budget briefing (internal)

Local government budget briefing and Covid-19 update (internal)

What's coming up: March to September* (Auditor General)

AUDITOR GENERAL 

ACCOUNTS COMMISSION 

Performance audits

New ferries for the Clyde and Hebrides (March)

Social security:
Implementation of devolved powers (May)

Statutory reports

Colleges TBC (April)

Other audit products

Digital connectivity: R100 update (March)

Scotland's colleges 2022 (July)

*Months in brackets in tables are proposed publication months

What's coming up: March to September* (Accounts Commission)

Overview reports

Local government finances 2021 (March)

Challenges and performance LGO 2022 (May)

Financial analysis of IJBs 2020/21 (June)

Best Value Assurance Reports

Moray Council follow up (March)

Angus Council (July)

Shetland Council (August)

Comhairle nan Eilean Siar (September)

Briefings

Climate Change: Local government targets and plans (August)

Other audit products

Annual Assurance and Risk Report (Internal) (March)

Services for children with additional support needs (May)

Improvement Service blog (May)

Statutory reports

Section 102: Orkney and Shetland Valuation Joint Board

Performance audits

Reviewing Scotland's financial response to the Covid-19 pandemic (June)

Briefings

Scotland's economy: Supporting businesses through the Covid-19 pandemic (March)

Other audit products

Drugs and alcohol (March)

Child poverty (June)

- Audit Scotland will deliver the following to complement the joint work programme:
 - Climate Change: Baseline review (Mar 22)
 - E-hub: Lifelong learning (Apr 22)
 - National Fraud Initiative in Scotland (Jul 22)
 - Data governance/ethics roundtable (Q2 2022-23)
- Audit Scotland is also maintaining a national database of UK and Scottish Covid-19 funding announcements to inform all Following the Pandemic Pound products across the joint work programme

Sector	Number of opinions required	Deadline	Accounts certified (as at 21/02/22)	Percentage complete (as at 21/02/22)	Percentage on time
Health	23	30/09/21	23	100%	100%
Central government – Agencies, NMDs and Scottish Water	23	30/09/21	23	100%	52% (12/23)
Central government – NDPBs and similar	55	31/10/21	55	100%	69% (38/55)
Local government	104	30/11/21	102	98%	82% (85/104)
Further education	21	31/12/21	14	67%	57% (12/21)
Total	226				

- Progress with 2020/21 annual audits for Scottish public bodies:
 - All health and central government audits now complete.
 - In local government, two small joint committees audited by ASG are awaiting committee dates to enable sign off.
 - Seven further education colleges audited by firms still to be completed.
- The European agricultural accounts (EAFA) were signed by the C&AG of the NAO on 14 February. ASG audits the Scottish component. This is the normal, pre-Covid timetable for EAFA work.
- Work is still ongoing on the audit of 2020/21 housing benefit subsidy claims. The DWP has extended the deadline to end February. In some cases, small errors detected are resulting in the need for increased sample sizes and increased audit work. We are starting discussions with the DWP and NAO about the level of audit work required in future as expenditure declines with the transition to universal credit
- No instructions have been received from HM Treasury and NAO on the 2020/21 Whole of Government Accounts process. The audit deadline for components will now be 31 July at the earliest.
- Audit planning for 2021/22 is now under way. Target completion dates outlined in planning guidance are generally one month earlier than 2021. This will be challenging to achieve in every case.

Summary of proposed changes to programme

Change	Detail
Delaying	<p>Drug and alcohol services (Joint): We agreed with AGS and sponsors to delay this publication from February to early March due to availability of dates in the publications schedule after the February Commission meeting as well as AGS and sponsor diary availability for media.</p>
	<p>Scotland's economy: Supporting businesses through the Covid-19 pandemic (Joint): We agreed with AGS and sponsors to delay this briefing from February to March due to data access and quality issues, and to ensure time for better alignment with local audit work and statutory reporting. Originally this briefing was also intended to include elements of wider economic planning. The scope was ultimately altered due to the Scottish Government announcing (and then subsequently delaying) the publication of the new 10-year National Strategy for Economic Transformation.</p>
	<p>Reviewing Scotland's financial response to the Covid-19 pandemic (Joint): We agreed with AGS and sponsors to delay this audit from May to June to ensure it could incorporate findings from other audit work that has been delayed. This also allowed time for further evidence to be collected from Scottish Government.</p>
	<p>Financial analysis of IJBs 2020/21 (Commission): The financial local government overview publication date shifting from January to March has had a knock-on impact on resource availability to start work on the IJB financial analysis. We are proposing the IJB financial analysis moves from May to June to give the team more time to finish the report and take pressure off the publication schedule in May.</p>
<p>Child poverty (Joint): We propose delaying this briefing from May to June to ensure adequate time for the governance steps required after the draft briefing goes to the Commission meeting on 12 May 2022.</p>	

Summary of proposed changes to programme

Change	Detail
Delaying	<p>Angus Council BVAR (Commission): We propose delaying publication of this report from late June to early July due to pressure on the publications schedule in June. It will still go to the June Accounts Commission meeting.</p>
	<p>Scotland's Colleges 2022 (AGS): We propose delaying this report from May to July because the Scottish Funding Council has delayed publishing some of the data we require.</p>
	<p>Climate Change: Local government targets and plans (Commission): The Commission's Performance Audit Committee has agreed to delay this product from June to August. As the Commission meeting in January was cancelled we delayed seeking approval of the scope for this product until the Performance Audit Committee in February. The knock on impact is a delay in publication, which also eases pressure on the busy June publications schedule.</p>
	<p>Sustainable alternatives to custody (Joint): We propose delaying this performance audit until 2023 so we can re-direct resources to initial scoping work on courts backlogs. The revised timing will enhance the potential relevance, impact and added value of the community justice work as it can follow planned joint inspection work on community justice services by other scrutiny bodies, which should report in the second half of 2022.</p>

Summary of proposed changes to programme

Change	Detail
Removing	Infrastructure Investment Plan and strategic capital investment (AGS): In December we proposed delaying this briefing. We are now proposing we remove it from the programme. The Scottish Government's Infrastructure Investment Plan (IIP) was published over 12 months ago, followed by updates on major capital projects and project and programme pipelines in September 2021. We feel it is now too late to publish commentary on these and resources would be better focused on scoping audit work on strategic capital investment. This will build on the January 2020 audit on privately financed infrastructure investment as well as look at the Scottish Government's Medium Term Financial Strategy and updated Climate Change Plan.

Change	Detail	Proposed timing
Adding	Court backlogs (AGS): We propose adding a product to the programme to look at court backlogs. These have worsened during the pandemic and there are implications for other parts of the justice system. The Criminal Justice Committee has noted its interest in this area and we are not aware of any other scrutiny or public reporting plans. Given the level of public funding, the acute nature of the issue, the impact on the wider justice system and increasing public interest, there is scope for our work to add significant value at this time.	TBC once further scoping undertaken

In the pipeline from October 2022 to March 2024

Economic recovery and growth

Area of focus	Latest plans
ScotRail franchise (AGS)	We will undertake audit work looking at the establishment of the new operating arrangements as ScotRail services move into Scottish Government ownership. We initially plan to report on this through the Transport Scotland annual audit report in early Q4 2022/23.
Economic development (Joint)	<p>During 2022 we will undertake research and development to scope audit work in this area. We will bring back proposals for products that cover the following:</p> <ul style="list-style-type: none">• The Scottish Government's new 10-year strategy for economic transformation• Strategic capital investment, reviewing progress against the recommendations in our January 2020 audit on privately financed infrastructure investment and looking at the Scottish Government's Medium Term Financial Strategy and updated Climate Change Plan.• The implementation of schemes designed to replace the EU Structural, Social and Agricultural Funds• Developments affecting City Region and Growth Deals and progress against the recommendations in our 2020 report. We will consider how further reporting could add value.
Public finances	We will continue to keep the overall position of devolved public finances under review, including the operation of the fiscal framework and any significant risks to financial sustainability. During 2022/23 we will deliver our usual annual commitments including the internal budget briefings for the AGS and Commission, as well as the Administration of Scottish Income Tax 2021/22 report on behalf of the AGS. We will also consider the scope for audit work looking at providing assurance on UK-led spending in Scotland around shared prosperity and levelling up.

In the pipeline from October 2022 to March 2024

Policy priorities and commitments

Area of focus	Latest plans
Climate change (AGS / AC / AS)	Building on the baseline review due in March we are planning an AGS briefing focussing on Scottish Government arrangements for delivering its climate change plan for Q3 2022/23. The scope has still to be agreed but is likely to consider governance arrangements, leadership and progress to date. We are also planning to develop a front-facing accessible data tool (AS) to improve transparency and scrutiny of progress on climate change. It will provide information and data on a range of climate change issues such as progress against emission targets, progress on key policies and milestones and information on adaptations. Alongside these products we are developing our longer-term approach and priorities for auditing climate change and will discuss this with the AGS, the Accounts Commission and our Commission sponsors later in the year.
Social care (Joint)	Following publication of the social care briefing in January 2022, we will continue engagement with Scottish Government and monitoring developments with social care reform. Once we have a clearer idea of plans for the National Care Service we will prepare proposals for a performance audit for discussion with the AGS and Commission. We will need to be flexible on the timing for the audit and it is unlikely to start until Q1 or Q2 of 2022/23.
Early learning and childcare (Joint)	The next audit in this series will look at whether the expansion in funded early learning and childcare was delivered as planned and how much it cost. We plan to report in Q4 2022/23.

In the pipeline from October 2022 to March 2024

Policy priorities and commitments

Area of focus	Latest plans
Drug and alcohol services (Joint)	Given the Auditor General and Accounts Commission's ongoing interest in how drug and alcohol services are being delivered and the impact this has on people and their families needing support, we plan to carry out more detailed work in this area in the next 12-18 months.
Community justice: Sustainable alternatives to custody (Joint)	The AGS briefing paper on this topic from July 2021 highlighted that the Scottish Government had not achieved its aim to shift the balance of sentencing from prison to the community. We have proposed delaying this joint performance audit in this area to early 2023. This audit will still consider the roles and work of other key stakeholders, including local government and the third sector. The revised timing will also allow our audit work to follow planned joint inspection work on community justice services by other scrutiny bodies.

In the pipeline from October 2022 to March 2024

Inequalities and human rights

Area of focus	Latest plans
Mental health (Joint)	We are currently scoping a performance audit on adult mental health services and plan to bring this to the AGS and Commission for discussion before summer 2022, and report during Q4 2022/23.
Digital exclusion and connectivity (Joint)	We are planning to publish a performance audit in 2023/24 on how the public sector is addressing digital exclusion and connectivity. We will also continue to look at digital exclusion through other audit work, such as overviews and our community empowerment work.
Child poverty (Joint)	In 2023/24 we plan to look at the progress made in achieving interim targets within the Child Poverty (Scotland) Act 2017. This will include looking at any additional plans and actions the Scottish Government is putting in place with local government and their partners to mitigate the new risks in this area created by Covid-19.

In the pipeline from October 2022 to March 2024

Innovation and transformation

Area of focus	Latest plans
Local government overview reporting (AC)	<p>We will monitor the impact of the 2020/21 local government overview reports due to publish in March and May 2022 as well as the financial analysis of IJBs due in June 2022. We will support the Accounts Commission to consider the focus and format of local government overview reporting in 2023 and beyond to maximise reach and impact.</p>
NHS reporting (AGS)	<p>We are developing proposals for a future programme of health and care audits, recognising the ongoing policy focus on health and care, with significant reforms on the horizon and the dominance of spending in this area. This will impact on our reporting on the NHS as we are considering the future format and frequency of the NHS in Scotland report to allow for a shift of some resources to other more focussed and thematic health and care audit work.</p> <p>We recognise the whole systems approach required for public health due to the broader factors affecting health and wellbeing, such as housing, income and the education and justice system, and the impact of the broader economy and inequalities. As such we will consult on our proposals in due course with the AGS and, where necessary and relevant, with the Accounts Commission.</p>

In the pipeline from October 2022 to March 2024

Area of focus	Latest plans
Best Value assurance reporting (AC)	<p>From 2022/23 BV work in councils will be fully integrated with the annual audit and reported in Annual Audit Reports (AARs), including risk-based, follow up and thematic BV work. AARs for each council will be reviewed by the Commission at least once over the five-year audit appointment to provide the Commission with assurance on BV in each individual council.</p> <p>The Commission will use the Annual Assurance and Risks Report (AARR) to identify thematic work for coverage by all auditors in the following year's audit. The next AARR will draw on the 2021/22 AARs and is due in March 2023. The first AAR under the new audit appointments and BV approach will be available in Q3 2023/24.</p> <p>In Q2 of 2023/24 we plan to deliver a legacy thematic summary of BV best practice examples covering the last six years of BV reporting.</p>

In the pipeline from October 2022 to March 2024

Governance and accountability

Area of focus	Latest plans
Reviewing Scotland's financial response to the Covid-19 pandemic (Joint)	In 2022/23 we will move into the recovery phase of our approach to following the pandemic pound, which will assess the wider impact on public finances of recovery from a pandemic. We will review the impact of our performance audit on reviewing Scotland's financial response to the Covid-19 pandemic and propose how best to follow up, looking at changing budget headings and spending considerations as well as financial management and sustainability.

MEETING: 10 MARCH 2022

REPORT BY: SECRETARY TO THE COMMISSION

SECRETARY'S UPDATE REPORT

Purpose

1. The purpose of this report is to provide an update to the Commission on significant recent activity relating to local government.
2. The Commission receives regular information to complement this report, which is available through the [members' SharePoint site](#). This includes:
 - The Controller of Audit report to the Commission, updating the Commission on his activity.
 - An update on issues relating to local government which is considered by the Commission's Financial Audit and Assurance Committee.
 - A weekly news coverage briefing provided to the Commission by Audit Scotland's Communication Team.

Commission business

Publications and activities

3. Audit Scotland collects media coverage on all reports published by the Accounts Commission. [Appendix 1](#) provides download and view statistics for the Commission's published reports and blogs over the last 12 months, as of 29 January 2022. [Appendix 2](#) provides additional information on the overall engagement that reports, and other business received on social media.
4. On 10 February the Commission held and livestreamed its first hybrid meeting, where, amongst other items, it discussed a follow up report to the Commission's 2020 Best Value Assurance Report (BVAR) on Moray Council. The link to the livestream was promoted on Facebook, with targeted advertising for community groups in Moray, reaching 2,891 people. The livestream of the Commission's February meeting was viewed 84 times, and the recorded version has been viewed 61 times. This compares to 27, 6 and 57 views of the Commission's livestreamed meeting in the previous three months. Live views of meetings are typically higher when a BVAR is being discussed. Deputy Chair Tim McKay posted a [vlog](#) of the February meeting which has been viewed 18 times.
5. Throughout February, previous work was re-promoted on Twitter, including the 2018 [Children and young people's mental health](#) report, to [coincide](#) with Children's Mental Health Week.
6. During February the Accounts Commission and Auditor General for Scotland submitted joint responses to:
 - the Scottish Government's consultation on the review of the Public Sector Equality Duty in Scotland. This will be placed on the members' SharePoint site.

- the Scottish Parliament's Education, Children and Young People Committee's consultation on the Scottish Attainment challenge. This can be found on the [members SharePoint site](#).
 - the Scottish Government and COSLA's consultation on proposals for new prevention of homelessness duties. This can be found on the [members SharePoint site](#).
7. On 24 February, the Commission Chair of the Commission published a [blog](#), on the value of independence and scrutiny across local government and setting out his priorities as Chair including recruiting further members to reach its full complement of 12 and to include those with lived experience. He also highlighted the importance of reporting on inequalities, which have been amplified as a result of the Covid-19 pandemic. He expects councils to now focus on doing things differently and approach new ways of working including tackling climate change and supporting communities.
8. On 25 February the Commission sent out its [newsletter](#) for all 1227 councillors across Scotland, including an embedded [video](#) from the Chair. Alongside a review of the Commission's activities since November 2021, the Chair's blog was linked in the newsletter. Statistics relating to these activities, as of 2 March, are as follows:
- Promotion of the newsletter on Twitter reached 243 people and the engagement rate was 3.3% (1% is considered good).
 - The Chair's blog reached 1,440 people on Twitter, with an engagement rate of 3.3%. The blog had been viewed 119 times.

Forthcoming publications and activities

9. During March, the following activities are planned:
- Publication of:
 - Audit Scotland's climate change baseline review on 1 March. The Commission's Performance Audit Committee at its recent meeting considered proposals for future work in this area. The Commission's sponsors for climate change have had sight of this report which includes a summary of national recommendations made to public bodies highlighting the areas where improvement is most needed. The review will cover all public bodies and help to inform future audit work.
 - A follow up report to Moray Council's Best Value Assurance Report on 3 March
 - A blog (joint with the Auditor General) on drug and alcohol services on 10 March
 - A joint briefing Supporting businesses through the Covid-19 pandemic & planning Scotland's economic recovery on 17 March
 - Distribution of the Commission's newsletter for community groups and the third sector on 18 March.
 - The Commission's Spring Strategy Seminar on 29 and 30 March.
10. Between 24 March and 5 May 2022, the Commission will not release any publications as a result of the moratorium for local government elections.

Other Commission business

11. During February the Scottish Government advised that Commission members will receive an uplift in their daily fees in line with the Scottish Public Sector Pay Policy, thus an uplift of 1 % for [2021/22](#) and £500 for [2022/23](#).
12. Members are asked to review the Members' communications schedule on the [members' SharePoint site](#). This includes a list of planned publications and activities for the year, along with indicative roles for members in promotion and engagement activities. This document is live and is updated monthly, following discussion with Audit Scotland's communications team. Members are asked to share their thoughts on the schedule, as well as any suggestions for further communications directly to the [schedule](#).

Auditor General

13. On 1 February the Auditor General [published](#) a Section 22¹ report on the 2020/21 audit of the Scottish Environment Protection Agency considering the financial impact of a cyber-attack on the agency which is still not clear. It focuses on the handling and impact of the cyberattack in December 2020, saying it was highly sophisticated and is still affecting SEPA operations today. The report finds SEPA had good cyber security arrangements in place and responded quickly, with business continuity arrangements allowing it to continue to deliver critical services.
14. On 8 February the Auditor General [published](#) a Section 22 report on the 2020/21 audit of Scottish Canals. The report found flaws in the way the public body recorded and valued its assets. The organisation changed from a public corporation to a non-departmental public body in 2020/21 which meant a requirement to adopt the HM Treasury's accounting rules. Auditors found the organisation did not have valuations for around £51 million of specialist assets. Auditors could not give an opinion on the accounts.
15. On 24 February the Auditor General [published](#) a report on the NHS in Scotland 2021. It recommends that the Scottish Government must focus on transforming health and social care services to address the growing cost of the NHS and its recovery from Covid-19. The health service is on an emergency footing and under severe pressure with a backlog of patients awaiting treatment due to the pandemic and remains financially unsustainable. In addition, the NHS's ability to plan remains hindered by a lack of robust and reliable data, including workforce, primary care, community, social care, and health inequalities data.

Audit Scotland

16. During February Audit Scotland saw a return to Phase 3 of the programme for accessing workplaces where staff can book desks in the offices and move into hybrid working. Audit Scotland is moving into Phase 4 from 7 March, with social distancing requirements reducing from 2m to 1m.
17. During February Audit Scotland launched its recruitment [campaign](#) for two Executive roles: Chief Operating Officer and Executive Director of Audit Services. Applications close on 11 March.
18. On 15 February the Interim Director of Performance Audit and Best Value submitted a response on behalf of Audit Scotland to the [consultation](#) by the UK Cabinet Office on

¹ Section 22 reports are prepared by the Auditor General if any specific concerns or issues have been raised in the annual audit of one of the public bodies for which he is responsible. This is done under Section 22(3) of the Public Finance and Accountability (Scotland) Act 2000.

the draft Digital Government (Disclosure of Information) Regulations 2022 which opened on 10 January 2022 and ended on 7 March 2022. The response can be found on the [members' SharePoint site](#)

19. On 28 February Audit Scotland launched its annual Best Companies survey for all staff. It will close on 11 March.

Issues affecting Scottish local government

Scottish Government

20. On 7 February the Scottish Government emailed stakeholders about changes to the [revised protocol](#) on the application of terms and conditions of employment during the Coronavirus outbreak. The key changes related to removing the requirement for employers to support employees to work from home and adding in text on hybrid working.
21. On 10 February the Scottish Government [published](#) election guidance for civil servants, agencies and national devolved public bodies during the run up to the 5 May council elections. The pre-election period for local authorities is expected to start around Monday 14 March.
22. On 14 February the Scottish and UK governments [published](#) details of a partnership agreement to establish two Green Freeports in Scotland. The two governments have agreed to establish a joint prospectus and joint assessment process with both Governments having an equal say on all bids and reflecting the Scottish Government's distinctive net zero aspirations.
23. On 28 February the Scottish Government's Director-General of Communities Paul Johnston wrote to all chief executives of public bodies in Scotland sharing a [published](#) report and response that reviewed the Scottish Government's relationship with public bodies and outlined 11 recommendations. All public bodies are encouraged to engage with their lead Director on the recommendations and implementation plan going forward. The Commission Secretary is engaging with the Scottish Government's Local Government Division to this end. The letter can be found on the [members SharePoint site](#).

Local government general

24. On 22 February the Scottish Government [published](#) council tax reduction tables and charts for April 2013 to December 2021 broken down by local authority area.
25. On 23 February the Scottish Government [published](#) its updated Serious Organised Crime Strategy. The strategy seeks better collaboration across sectors, including local government, with Police Scotland and the National Crime agency, to help tackle and respond to the threat of organised crime. Elected members, local authorities and other public bodies are asked to protect themselves from cyber threats, to use the [checklist](#) and ensure robust processes are in place.

Health and social care

26. On 2 February the Scottish Government [published](#) details of a new £1 million fund established to support projects which look after the wellbeing of staff working in social care.
27. On 10 February the Scottish Government [published](#) its analysis of stakeholders' responses to the consultation on proposals for a National Care Service in Scotland. The consultation process is the first phase of engagement. More than three-quarters

(77%) of people who responded thought the main benefit of the proposed change would be more consistent outcomes for people accessing care and support across Scotland. Meanwhile more than two-thirds (72%) of those responding agreed that the Scottish Government should be accountable for the delivery of social care through a National Care Service.

28. On 21 February the Scottish Government [published](#) its report on improving care for people with complex needs and learning disabilities, with measures to reduce delayed discharge and provide care closer to home. The actions to be taken forward include setting up a new national register to improve monitoring those at risk of hospital admission and establishing a national support panel and peer support network.
29. On 25 February the Scottish Government [published](#) details of an additional £6 million for the £15 million Communities Mental Health and Wellbeing Fund that was launched in October 2021. The fund is managed in partnership with local integrated health authorities and other partners including Community Planning Partnerships and local authority mental health leads. It has funded 730 community organisations to date.
30. On 28 February the Scottish Government [launched](#) its consultation on proposals for Scottish Carer's Assistance, a new Scottish benefit which will replace the Carer's Allowance, to be delivered by Social Security Scotland. The consultation is open until 23 May 2022. Due to the detailed operational nature of the consultation, it is proposed that the Commission does not respond.

Education

31. On 1 February the Scottish Qualifications Agency (SQA) [published](#) details of a package of support services that will be available for learners who are taking National 5, Higher, and Advanced Higher courses in 2022.
32. On 3 February the Scottish Government [published](#) details of a further £2 million to help support outdoor education centres facing financial challenges as a result of the pandemic.
33. On 22 February the Scottish Government [published](#) statistics on the on the initial destinations and attainment of 2020-21 school leavers from Scotland's publicly funded mainstream schools. The results also show that 95.5% of 2020-21 school leavers were in a positive destination three months after leaving school. This was higher than in 2019-20 (93.3%) and the highest since consistent records began in 2009-10.

Social Security

34. On 9 February the Scottish Government [published](#) details of the new Adult Disability Payment that will open for applications in three pilot areas from 21 March 2022. The pilot areas are Dundee City, Perth and Kinross and the Eilean Siar council areas with further council areas being introduced in phases until the benefit is rolled out nationwide on 29 August.
35. On 24 February the Scottish Government [published](#) the fourth annual report from the Social Security Experience Panels programme, covering the key activities and outputs from 2021 which included research with Seldom Heard Groups. Three reports were published in December 2021 focusing on [vulnerable groups](#) (people experiencing homelessness, military veterans and people living with HIV or Hepatitis C), [carers and care experienced people](#), and those at the [end of life](#). Common barriers across all three groups included a lack of knowledge and awareness of the benefit system, difficulty finding information, complex application forms, and stressful interactions with staff . The three groups recommended a variety of channels for communication and clear and streamlined information. The positive role of third sector organisations in helping

people navigate the benefit system, and knowledgeable and empathetic benefit staff were also noted.

Communities

36. On 5 February the Scottish Government [published](#) details of an additional £3 million for families with children who are on the edges of care or have experience of care. Individual local authorities have been allocated funding based on the Scottish Index of Multiple Deprivation.
37. On 17 February the Scottish Government published a monitoring report on Housing First tenancies that started in Scotland between 1 October and 31 December 2021.

Economy and business

38. On 18 February the Scottish Government published its labour market monthly briefing for [February 2022](#). This summarises employment and economic inactivity from the Labour Force Survey and other labour market statistics from a range of official sources. Some of the information is broken down into Scottish local authority areas. On the 16 February SPICe [published](#) overviews of the labour market for Scotland.
39. On 21 February the Scottish Government [published](#) details of an £80 million Covid Economic Recovery Fund. Councils have the flexibility to target support either using existing schemes like Scotland Loves Local, Business Improvement Districts or place-based investment programmes, and can use the funding to support low-income households. A further £3 million has been allocated to the City Centre Recovery Fund.

Covid-19 measures

40. Throughout February, as the Scottish Government reviewed the latest evidence regarding Covid-19 and restrictions, a number of changes were announced and guidance updated, including publishing an [updated Strategic Framework](#). Announcements included:
 - Updated [guidance](#) for office working including hybrid working.
 - From 28 February [high school pupils](#) and staff will not be required to wear face coverings in classrooms although they will still be required in communal areas.
 - Providing [second booster jabs](#) to those aged 75 years and over, residents in care homes for older adults, and individuals aged 12 years and over who are immunosuppressed.
 - Providing [vaccination appointments](#) for children aged five to 11 years, from 19 March.
 - Removing the legal requirement for vaccine certification from 28 February and the use of face coverings and collection of customer details from 21 March.
 - Continuing with free access to lateral flow and PCR tests ahead of a published detailed transition plan for Scotland's test and protect programme.
 - Continuing to ask people who test positive for Covid-19 to self-isolate.

Climate emergency

41. On 21 February the Scottish Government [announced](#) the establishment of a new £300 million fund to support the development and roll out of zero emission heat networks. The fund is open to public and private sector applications and will support projects

where the heat for individual properties is supplied from a communal source and should help accelerate the development of heat networks across Scotland.

Scottish Parliament

42. In February, the Scottish Parliament Information Centre (SPICe) published:
- A [briefing](#) and comparison of international citizens' assemblies.
 - A [briefing](#) on the Coronavirus (Recovery and Reform) (Scotland) Bill.
 - A [briefing](#) on incineration and energy from waste
 - A [briefing](#) on the public procurement framework
 - A [briefing](#) on the Coronavirus (recovery and reform) (Scotland) Bill covering public health, education and the delivery of public services.
 - A [blog](#) on the next steps for the National Care Service
 - A [blog](#) on current performance against the 81 National Indicators
 - A [blog](#) on the relationships between Scotland's fourth National Planning Framework and other strategic land uses.
 - A [post](#) on Coronavirus deaths a local authority level in Scotland
43. On 9 February the Transport Minister Jenny Gilruth the [confirmed](#) in Parliament that ScotRail will be taken into public ownership on April 1 2022.
44. On 10 February the Scottish Parliament [passed](#) the 2022-23 Scottish Budget Bill. During the Stage 3 debate in the Scottish Parliament, Finance Secretary Kate Forbes announced a further £290 million in financial support to help address the rising cost of living. This includes £280 million to provide £150 council tax rebates for households receiving council tax reduction and £10 million to continue the Fuel Insecurity Fund. On 15 February the Fraser of Allander Institute (FAI) [published](#) an article considering the Government's response to the cost of living crisis.

Parliamentary Committee news

Public Audit Committee

45. During February the Committee took evidence on and [considered](#): the 2020/21 audit of Scottish Government Consolidated Accounts, the 2020/21 audit of Scottish Canals, Planning for skills, the Section 22 Report: The 2020/21 audit of the Scottish Environment Protection Agency, and the Administration of Scottish income tax 2020/21 report.
46. On 3 February the Auditor General, Audit Scotland Audit Director Mark Taylor, Gareth Davies, Comptroller and Auditor General, National Audit Office and Audit Director Darren Stewart, National Audit Office gave [evidence](#) on the [Administration of Scottish income tax 2020/21](#).
47. On 10 February the Auditor General, Audit Scotland Audit Director Gordon Smail, Senior Manager Rebeca Seidel and Audit Manager Douglas Black gave [evidence](#) on the [Planning for skills](#) report. Afterwards Senior Manager Morag Campsie gave evidence on the [2020/21 audit of the Scottish Environment Protection Agency](#).

Local Government, Housing and Planning Committee

48. During February the Committee took evidence on and [considered](#): the National Planning Framework 4, Understanding Barriers to Local Elected Office, Good Food Nation (Scotland) Bill, New standards of fire alarms in all homes in Scotland, and the Building Safety Bill (UK Parliament legislation).
49. During February Willie Coffey was appointed Deputy Convener of the Committee.

Finance and Public Administration Committee

50. During February the Committee took evidence on and [considered](#): its work programme, Replacing EU structural funds in Scotland and on 1 March the Resource Spending Review Framework.

Covid-19 Recovery Committee

51. During February the Committee took evidence on and [considered](#): its work programme, Ministerial Statements, Subordinate Legislation, the Excess Deaths Inquiry, and Coronavirus Acts Reports.
52. On 3 February the Committee launched a [call for views](#) on the Coronavirus (recovery and Reform) (Scotland) Bill, which the Scottish Government has introduced to make some of the temporary, emergency powers to respond to Covid-19, permanent and to extend others. The closing date for submissions was 25 February and it considered evidence on 3 March.

Social Justice and Social Security Committee

53. During February, the Committee took evidence on and [considered](#): reducing drug deaths in Scotland and tackling problem drug use (at a joint meeting with Criminal Justice Committee and Health, Social Care and Sport Committee), Refugees and Asylum Seekers, Nationality and Borders Bill (UK Parliament legislation), Kinship care and on 3 March, Domestic Violence and Violence against women and girls.
54. On 15 February the Committee launched an [inquiry](#) into challenges faced by individuals on low incomes and debt problems. It will seek to engage with organisations supporting those in need. In November, the Committee held an informal roundtable with money advisers and affected individuals. It found concerns around digital exclusion, stigma and accessing free money advice. Concerns over mental health and formal debt solutions were also raised. A call for views will close on 31 March. Given its operational focus it is proposed that the Commission does not respond.

Other Committee news

55. On 1 February the Economy & Fair Work Committee launched a [call for views](#) to inform its inquiry on town centres and high streets. The inquiry has three areas of focus: keeping town centres alive, new realities for Scottish retail, and e-commerce activity in Scotland. The call for views closes on Wednesday 16 March. As there is no substantive relevant audit work to draw on, it is proposed that the Commission does not respond.
56. On 11 February the Education, Children & Young People Committee [published](#) a report on the impact of Covid-19 on children and young people, particularly those who have additional support needs, are care experienced or are from deprived backgrounds. The report concludes the impact has been most significant on those already disadvantaged. The Committee launched a [consultation](#) seeking views on the impact of Covid from those with direct experience.

Local government news

57. The Commission's Financial Audit and Assurance Committee, at its meeting on 24 February, considered a summary of matters reported by appointed auditors across all local government bodies.
58. On 3 February the BBC [reported](#) that disabled people felt forgotten over day-care services that had not re-opened to pre-pandemic levels and that no local authority in Scotland confirmed their day-care services had returned to normal levels.
59. On 23 February the City of Edinburgh Council's Planning Committee [approved](#) the proposal to ask the Scottish Government to designate the City of Edinburgh Council area as a short term let (STL) control area. If the government agrees, residential property owners wholly letting a property as an STL, which is not their principal home, would need to apply for planning permission for a 'change of use'.
60. During February Perth and Kinross Council's Head of Education and Learning [commissioned](#) an investigation into the culture, policies and processes at Crieff High school, following allegations of bullying and discriminatory behaviour at the school.
61. During February the Aberdeen and Grampian Chamber of Commerce [published](#) its annual investment tracker report for the Aberdeen City Region. It has forecast investments worth more than £12 billion will flow into the north-east of Scotland in the coming decade, while £3.2 billion in projects have been completed since 2017.

COSLA

62. On 17 February the Daily Record [published](#) an article by Cllr Stephen McCabe, COSLA's children and young people spokesperson, explaining why children's services should not be included in the Scottish Government's proposed National Care Service. He argues radical change for supporting children and families is already underway and must not be compromised by national restructure.
63. On 22 February COSLA and the local government workforce trade unions [published](#) a joint statement on the proposed National Care Service stating it should be locally delivered, democratically accountable and free at the point of need. It also says the Scottish Government should not consider breaking up the local government workforce.
64. Over 24 and 25 February COSLA and the Improvement Service held their Annual Conference online with the winners of the COSLA excellence awards for 2022 being [announced](#), as follows:

Award	Winner
Service Innovation and Improvement	Angus Council (Environmental Services) Four Day Working Week for Waste Services
Achieving Better Outcomes in Partnership	Renfrewshire Council (Housing Support Services – Sheltered Housing and Health and Wellbeing Teams) We're Safe and Well
Tackling Inequalities and Improving Health	Fife Council (Fife Justice Services) TURN Men's Group
Stronger Communities, Especially in Light of Covid	Dumfries and Galloway Council (Community Planning and Engagement Services) Community Resilience Strengthened Through Covid

Award	Winner
Just Transition to a Net Zero Economy	West Dunbartonshire Council Partnership (Regulatory & Regeneration) Queens Quay Water Source Heat Pump (WSHP) District Heating Network (DHN)
Scottish Government – Delivering Excellence Award	South Lanarkshire Council (Early Years) Together We Can and We Will
COSLA Chairperson’s Award	North Lanarkshire Council (People and Organisational Development) ROOTS: Opportunities for Growth
SOLACE Best Team Award	Dundee Health and Social Care Partnership (Dundee Alcohol and Drug Partnership) Dundee Non-Fatal Overdose Rapid Response Team
Excellent People, Excellent Outcomes Award	South Lanarkshire Council (Housing and Technical Services) Delivering Gypsy/Traveller Services During a Pandemic

65. The conference and convention day on 25 February included a [speech](#) by the First Minister highlighting the essential role local government played in supporting businesses and communities and the recovery work as Covid-19 restrictions are eased and in the recovery work ahead. The UK Minister for intergovernmental relations, Michael Gove also gave a [speech](#) in which he claimed the UK Government’s Shared Prosperity Fund should be allocated directly to local authorities to support the delivery of services on the ground.

Improvement Service

66. On 14 February the Improvement Service (IS) published a [blog](#) about the new young persons’ free bus travel scheme that launched on 31 January 2022, for young people between the ages of 5 and 22 years..
67. On 22 February the IS [published](#) its joint statement with local government workforce Trade Unions on the proposed National Care Service, suggesting the current proposals would have a negative and damaging impact on the cohesion and effectiveness of the current workforce and that local councils remain the most suitable bodies for delivering social care and professional social work services.
68. On 23 February the IS [published](#) its annual local economic development report for 2020/21 showing what councils in Scotland are delivering as local economic development organisations. It also shows that all councils economic development teams have experienced significant pressure over the last two years as a direct result of the Covid-19 pandemic and the resulting economic crisis.

SOLACE

69. On 2 February SOLACE UK [published](#) a statement on the UK government’s levelling up white paper stating whilst they supported the concept and ambition, Ministers would need to look beyond the proposals to deliver transformational change which was needed. They also highlight the important and irreplaceable role of local councils and argue that cuts to council budgets have hampered the delivery of long-term regeneration.

Scottish Public Sector Ombudsman (SPSO)

70. On 16 February the SPSO published their [February](#) newsletter, outlining statistics on complaints and learning points from decision reports, statistics on Scottish Welfare Fund reviews, case studies and listing training courses available.

Scottish Housing Regulator (SHR)

71. On 11 February the Scottish Housing Regulator (SHR) [published](#) its quarterly dashboard report covering the period 1 October to 31 December 2021 considering the continuing impact of the pandemic on social landlords. It shows that rent arrears have risen to 6.53% of rent due, that fewer lets were made compared to previous quarters, and the number of homeless applications made fell while the number of empty homes at 31 December had increased.
72. On 16 February the SHR [published](#) an updated engagement plan for Falkirk Council looking at services for people who are homeless. It considered stock quality, after reviewing the information from Covid-19 monthly returns and noting concerns raised by residents.

Care Inspectorate

73. On 8 February the Care Inspectorate [published](#) its joint inspection of adult support and protection measures in Falkirk. It found clear strengths but also identified areas that could further improve, including clearer recording of the support and protection process. It also suggested that all members of the partnership explore opportunities to make their contributions to the arrangements more effective.
74. On 15 February the Care Inspectorate [published](#) a single quality framework for care homes for adults and older people, following a review of previous frameworks for each service type.
75. On 23 February the Care Inspectorate [published](#) its joint inspection report of adult support and protection measures in the Clackmannanshire Partnership. It found clear strengths in ensuring adults at risk of harm are safe, protected and supported but also identified several important areas for improvement. These included the partnership should remove the 'police only' investigations procedure from its adult support and protection work to ensure investigations have an active social work involvement.

Scottish public policy news

76. On 3 February, Health and Care Scotland, (Scotland's Health and Care news channel) [reported](#) that the Children & Young People's Commissioner for Scotland had criticised the Scottish Government's National Care Service plans for not taking account of the human rights of children. He said he had not seen evidence for the government's decision to extend the proposed service to include children's services and criticised a lack of detail or time for the participation of children in the government's consultation.
77. On 3 February the National Records of Scotland [published](#) figures which show the number of years people in Scotland can expect to live in good health has fallen. The [Healthy Life Expectancy in Scotland 2018-20](#) report shows average expectancy decreased in each of the last four years for females and for the last three years for males. Tables are available for healthy life expectancy by local authority area.
78. On 10 February the Royal Bank of Scotland [reported](#) that Scottish firms are reporting greater confidence in Scotland's economic recovery, with recruiters recording a 13th successive monthly uplift in permanent placements in January.

79. On 10 February the Resolution Foundation [published](#) a paper about the likely spending pressures on the state in the coming decade. It notes that significant increases in the cost of state pensions are unlikely to be abated by raising the pensionable age.
80. On 11 February Children in Scotland [published](#) research from the Scottish Parliament's Cross-Party Group (CPG) on Children and Young People which found 90% of services for young people and families are facing delivery barriers. The report found 86% of respondents reported negative impacts of the pandemic on mental health, with 74% of organisations facing staffing pressures and 35% struggling with digital inclusion.
81. On 21 February the Scottish National Union of Students (NUS Scotland) [published](#) findings which suggest around two-thirds of students have experienced mental ill health as a result of financial pressures and a third have considered dropping out of their course. The survey found one in three students had experienced homelessness and 15% of those with caring responsibilities relied on food banks.
82. On 22 February Public Health Scotland [published](#) an annual update on how health service operating costs were spent in the financial year 2020/21. It covers hospital, community and primary care provided to patients.
83. During February Timewise [published](#) its annual index of the proportion of Scottish jobs advertised with flexible working option for 2021, which found only 27% jobs in Scotland offer flexible working. It recommends an extension to flexible working to new hires by welcoming applications from flexible workers throughout the recruitment process.
84. During February Understanding Scotland, a survey tool, [published](#) a quarterly report on environmental attitudes and expectations in Scotland. It reported a clear public consensus that climate change constitutes a global emergency, that they believe governments are primarily responsible for tackling climate change and that tackling climate change would not damage the economy.

Other UK audit bodies

85. On 13 January Audit Wales [published](#) a public interest report relating to a county council's decision to give a former chief executive an exit payment that was found to have failed to follow internal policies and procedures and had not followed the council's decision-making process and did not comply with legislative requirements.
86. On 2 February the National Audit office (NAO) [published](#) a report on supporting local economic growth. It found the government's policies to stimulate local economic growth are not consistently based on evidence of what interventions are likely to be most effective, increasing the risk that billions of pounds awarded to local bodies will not deliver the intended benefits.
87. On 3 February Audit Wales [published](#) a new financial sustainability data tool which will enable users to compare financial data for each council, national park and fire and rescue authority in Wales from 2015-16 onwards.
88. On 10 February the National Audit Office (NAO) [published](#) a report that identified public bodies in England owed an estimate of £260 million in tax after they had been given insufficient time to adopt changes to employment regulations. [Public Finance](#) also reported on this.
89. On 25 February the NAO [published](#) a report on the rollout of the Covid-19 vaccination programme in England, covering the period from the start of vaccinations to the end of October 2021. The report found the vaccine programme operated at an unprecedented pace, scale and complexity and that there was evidence the programme saved lives and reduced the incidence of serious illness and hospitalisation. It was assessed to

have provided value for money to date but that the programme needed to identify a clear sustainable model for the future.

UK Government and Parliament

90. On 2 February the UK Government [published](#) its policy paper *Levelling up the United Kingdom* that aims to close regional inequalities in the UK. It includes targeting £100 million of investment in three new regional innovation centres in Greater Manchester, the West Midlands and Glasgow City-region.
91. On 2 February the House of Commons Public Accounts Committee [published](#) its report on the local government finance system. The report warns there is a “real risk” of the 2021 Spending Review only providing enough funding for local government to maintain its current position and not address any of the significant pressures which have been compounded over the last decade, as a result of a 50 % fall in real terms funding.
92. On 2 February the House of Commons Public Accounts Committee [published](#) its update on the Covid-19 cost tracker. The report finds the government risked and lost unacceptable billions of taxpayer’s money in its Covid response, and whilst the total amount lost is not yet fully known, it is clear the taxpayer has been exposed to substantial long-term risks amounting to at least £15 billion.

UK public policy news

93. On 3 February the Resolution foundation [published](#) a briefing note considering intergenerational wealth transfers and the effect this has on UK families. It notes the total value of inheritances is expected to double in the coming two decades, with the lowest 20 % of households half as likely to receive a transfer of wealth as the highest earning 20 %.
94. On 9 February, Bright Blue [published](#) a report comparing the experience of people in receipt of a number of legacy benefits and Universal Credit claimants with the rest of the population. The analysis suggests the latter are more likely to report struggling with housing and council tax payments and raises particular concerns around the cost of living for disabled people.
95. On 16 February the Institute for Public Policy Research (IPPR) [published](#) a report on the transition to net zero and its impact on communities. The report highlights the risk of top-down policymaking in widening inequalities between people and places and calls for the community-led design of net zero places through sustainability and engagement.

Conclusion

96. The Commission is invited to:
 - a) Agree that it does not respond to the consultations highlighted at paragraphs 30, 54 and 55.
 - b) Note the responses to the consultations highlighted in paragraph 6.
 - c) Note this report.

Paul Reilly
Secretary to the Commission
2 March 2022

**Appendix 1 Accounts Commission reports/blogs in past 12 months:
Downloads and views**

Report / Blog	Date	Report downloads/ blog views
Social care briefing	27 Jan 22	1,076
Falkirk Council Best Value Assurance Report	13 Jan 22	545
Blog: Public performance reporting – why it matters	21 Dec 21	191 (+129)
Blog: Assurance and scrutiny on Scotland's housing benefit services	25 Nov 21	201 (*)
Community empowerment: Covid-19 update	28 Oct 21	2,187 (+241)
South Ayrshire Best Value Assurance Report	27 Oct 21	568 (+65)
Auditing climate change: An update	21 Oct 21	586 (+92)
The role of sponsors in our reporting work	14 Oct 21	188 (*)
The impact of Covid-19 on Scottish Councils' benefit services	7 Oct 21	319 (+32)
Blog: Christie – it really is now or never	4 Oct 21	647 (+41)
East Dunbartonshire Best Value Assurance Report	29 Sept 21	454 (+42)
Accounts Commission Strategy 2021-26	23 Sept 21	613 (+128)
Blog: Digital exclusion	16 Sept 21	872 (+85)
Blog: Child and Adolescent Mental Health Services	31 Aug 21	1,161 (+117)
Blog: Public Services and Scotland's Voluntary Sector during Covid-19?	25 Jun 21	527 (+50)
Best Value Assurance Report: Aberdeen City Council	24 Jun 21	943 (+63)
Social Care: social care reform questions remain	3 Jun 21	1,873 (+174)
Accounts Commission annual report 2020/21	3 Jun 21	412 (*)
Local government in Scotland Overview 2021	27 May 21	3,281 (+289)
Equality Outcomes 2021-25	27 Apr 21	644 (+81)
Mainstreaming equality and equality outcomes: progress report 2019-21	27 April 21	518 (*)
Improving outcomes for young people through school education	23 Mar 21	8,015 (+537)

Note: Figures are reported as at the end of January 2022.

Key:

- (x) Increase in numbers since last month
- * This figure is below 30
- n/a Not applicable

Appendix 2: Accounts Commission social media engagement data

	Followers	Posting views	Video views	Links accessed	Retweets	Likes	Replies	No. of publications
Feb 22	807 (+2)	8,000	1,100	60	34	32	1	1
Jan 22	805 (+13)	12,600	839	103	27	38	6	2
Dec 21	792 (+4)	6,500	108	48	20	25	2	0
Nov 21	788 (+10)	6,600	499	32	29	35	0	1
Oct 21	778 (+13)	22,500	316	93	47	97	6	6
Sep 21	765 (+8)	13,600	584	43	35	39	0	3
Aug 21	757 (-1)	11,200	339	48	3	13	0	0
Jul 21	758 (+18)	7,700	24	5	16	26	0	0
Jun 21	740 (+14)	56,900	513	348	113	174	8	1
May 21	726 (+22)	46,300	836	122	95	148	9	1
Apr 21	704 (+3)	3,300	n/a	1	1	0	0	0
Mar 21	701 (+15)	36,100	2,100	76	66	138	10	1
Feb 21	686 (+3)	11,000	307	20	9	10	1	0

Figures as of 2 March 2022.

Change on previous month shown in brackets.

MEETING: 10 MARCH 2022

REPORT BY: CHAIR OF ACCOUNTS COMMISSION

CHAIR'S UPDATE REPORT

Purpose

1. This report provides an update on the engagements and work of the Chair of the Accounts Commission.

Engagement and Audit Scotland business

2. The engagements and work in the period of 1 to 28 February have been as follows:

Audit Scotland Board and Committee meetings

- There were no meetings in February.

Audit Scotland engagement

- 1 February – Introductory meeting with Colin Crosbie, Audit Scotland Board member.
- 2 February – Monthly catch up with Stephen Boyle, Auditor General for Scotland and Accountable Officer, Audit Scotland.
- 3 February – Introductory meeting with Simon Ebbett, Communications Manager.
- 15 February – Monthly catch up with Antony Clark, Interim Controller of Audit and Director of Performance Audit and Best Value and Paul Reilly, Secretary to the Commission.
- 16 February – Introductory meeting with Jackie Mann, Audit Scotland Board member.
- 16 February – Introductory meeting with John Cornett, Audit Director, and Anne MacDonald, Senior Audit Manager, Audit Services Group.
- 16 February – Introductory meeting with Gillian Woolman, Audit Director, Audit Services Group, and Paul O'Brien, Senior Manager, Performance Audit and Best Value.
- 17 February – Introductory meeting with Gayle Fitzpatrick, Corporate Governance Manager.
- 22 February – Meeting with Stephen Boyle, Alan Alexander, Audit Scotland Board Chair, Martin Walker, Acting Director of Corporate Services, and Paul Reilly on recruitment.
- 28 February – Monthly catch up with Alan Alexander.

- 28 February – Introductory meeting with Gemma Diamond and Mark Roberts, Audit Directors, Performance Audit and Best Value.

External engagement

- 1 February – Introductory meeting with Sarah Gadsden, Chief Executive, and Councillor Alison Evison, President, of the Improvement Service.
- 3 February – Introductory meeting with Ben MacPherson, Minister for Local Government and Social Security.
- 17 February – Introductory meeting with Sally Loudon, Chief Executive, COSLA.
- 23 February – Scottish Commission for Public Audit (SCPA) business planning meeting.
- 23 February – Introductory meeting with Louise Long, Chief Executive, and Alan Puckrin, Chief Finance Officer, Inverclyde Council, and Antony Clark.

Commission business, development and support

3. Commission business has been as follows:

- Regular catch ups with Paul Reilly and Jillian Elgin, Executive Assistant to the Commission.
- 3 & 24 February – Catch ups with Tim McKay, Interim Deputy Chair.
- 3 February – Introductory meeting with Lucy Carter, Policy Manager, Accounts Commission.
- 15 February – Introductory meeting with Andrea Quinn, Geelox, Strategy Seminar facilitator.
- 16 February – Best Value discussion with Paul Reilly and Tim McKay.
- 17 February – Accounts Commission meeting.
- 24 February – Financial Audit and Assurance Committee meeting.
- 24 February – Performance Audit Committee meeting.

4. Other areas of work have included:

- Chair's introduction for Local Government Financial Overview report.
- Accounts Commission newsletter for councillors and video.

Forthcoming activities

5. My forthcoming engagement activities include:

- 2 March – Audit Scotland Audit Committee and Remuneration and Human Resources Committee meetings.
- 3 March – Best Value Working Group meeting.

- 10 March – Accounts Commission meeting.
- 14 March – Monthly catch up with Stephen Boyle.
- 14 March – Monthly sponsor catch up with Local Government Overview team.
- 14 March – Monthly catch up with Antony Clark and Paul Reilly.
- 15 March – Strategic Scrutiny Group meeting.

Conclusion

6. The Commission is invited to:

- a) Note this report and enquire about any areas of interest.
- b) Consider whether there are any changes that they would wish to see to the format and content of the report for the future.

William Moyes
Chair
28 February 2022

MEETING: 10 MARCH 2022

REPORT BY: INTERIM CONTROLLER OF AUDIT

INTERIM CONTROLLER OF AUDIT UPDATE REPORT

Purpose

1. This report provides an update on my engagement activity during February 2022.

Engagement

2. Please note below my engagements in February:
 - **1 February** – Meeting with Councillor Andrew Drever, Convenor, Orkney and Shetland Valuation Joint Board (O&S VJB) to discuss my planned s102 report on the Valuation Joint Board (VJB).
 - **2 February** – Regular six monthly engagement meeting with Catriona MacLean, Deputy Director, Public Service Reform, Scottish Government.
 - **2 February** – Regular catch up meeting with Audit Scotland colleagues leading on the Best Value (BV) approach to councils and Integration Joint Boards (IJBs) (Fiona Mitchell-Knight, Carol Calder, and Leigh Johnston).
 - **3 February** – Quarterly engagement meeting with Audit Scotland’s Communications Manager.
 - **3 February** – Meeting with Ewan Hunter, The Hunter Foundation – building on earlier discussions with Lynn Hendry around government funding, silo policy areas and opportunities for collaboration on public service reform and funding issues.
 - **3 February** – Meeting with Maggie Sandison, Chief Executive, Shetland Islands Council in relation to my planned s102 report on the O&S VJB.
 - **3 February** – Angus Best Value Assurance Report (BVAR) emerging messages discussion with the team.
 - **4 February** – Interview with Max French, Researcher, Northumbria University – in relation to a research project in partnership with Carnegie UK on the design and implementation of outcomes-based wellbeing approaches in government.
 - **7 February** – Local Government Forum.
 - **7 February** – Sistema evaluation strategy discussion.
 - **8 February** – Moray BVAR follow up pre-Commission meeting with team.
 - **8 February** – Annual Assurance and Risk Report (AARR) draft discussion with team.
 - **9 February** – Accounts Commission pre-meeting.

- **9 February** – Regular engagement meeting with Tim McKay as Chair, Financial Audit and Assurance Committee.
- **9 February** – Meeting with Jennie Barugh, Director, Performance and Strategic Outcomes, Scottish Government.
- **10 February** – Accounts Commission meeting.
- **14 February** – Regular engagement meeting with Sally Loudon, Chief Executive, COSLA.
- **15 February** – Jennifer Henderson, Keeper, Registers of Scotland – preparatory meeting ahead of a joint presentation at the Strategic Scrutiny Group meeting (15 March) on the Scottish Leaders Forum (SLF) National Performance Framework (NPF) Accountability and Incentives Action Group work.
- **16 February** – Monthly catch up with Bill Moyes, Chair of the Commission, and Paul Reilly, Secretary to the Commission.
- **16 February** – Monthly catch up with the Correspondence team.
- **17 February** – Accounts Commission meeting to discuss the draft Financial Local Government Overview (FLGO) report and the emerging messages for the Local Government Overview (LGO) report.
- **18 February** – Meeting with Roddy Burns, Chief Executive, Moray Council to discuss the Accounts Commission’s consideration of the council’s Best Value Assurance Report (BVAR) on 10 February 2022, and the council’s proposed response to the improvement actions contained in the report.
- **18 February** – Monthly engagement meeting with Secretary to the Commission.
- **21 February** – UK&I Public Audit Forum (National Audit Office (NAO), Northern Ireland Audit Office (NIAO), Wales Audit Office (WAO), Audit Scotland (AS)) quarterly engagement meeting.
- **21 February** – Quarterly engagement meeting with Sarah Gadsden, Chief Executive, Improvement Service.
- **21 February** – Orkney and Shetland Valuation Joint Board (VJB) s102 report - post clearance discussion with the team.
- **23 February** – New Audit Appointments (NAA) steering group meeting.
- **23 February** – Lynn Hendry, The Hunter Foundation – regular engagement meeting.
- **23 February** – Scottish Leaders Forum (SLF) Accountability and Incentives Action Group ahead of the scheduled publication of the report on 10 March 2022.
- **23 February** – Introductory meeting with Louise Long, Chief Executive, Inverclyde Council, with Bill Moyes.
- **24 February** – Financial Audit and Assurance Committee and Performance Audit Committee meetings.

Forthcoming activities

3. My upcoming engagements in March include:

- **2 March** – Following the Pandemic Pound Steering Group.
- **3 March** – Best Value Working Group (BVWG).
- **4 March** – Monthly engagement meeting with Secretary to the Commission.
- **4 March** – CIPFA Directors of Finance Executive Committee.
- **4 March** – Bi-monthly engagement meeting with Communications Advisor and Policy Manager to the Commission.
- **8 March** – Supporting businesses through the Covid-19 pandemic – post clearance report discussion with the Auditor General for Scotland (AGS) and Accounts Commission (AC) sponsor (Geraldine Wooley).
- **9 March** – Accounts Commission pre-meeting.
- **10 March** – Accounts Commission meeting.
- **11 March** – Child Poverty output – scope discussion with AGS and AC sponsors (Andrew Burns and Sophie Flemig).
- **14 March** – LGO draft report discussion with AC sponsors (Bill Moyes and Tim McKay).
- **14 March** – Monthly catch up with Bill Moyes and Paul Reilly.
- **15 March** – Strategic Scrutiny Group meeting – I and Jennifer Henderson will be delivering a presentation on the Scottish Leaders Forum (SLF) following publication of the report on 10 March 2022.
- **16 March** – Monthly catch up with the Correspondence team.
- **16 March** – Regular catch up meeting with Audit Scotland colleagues leading on the BV approach to councils and IJBs (Fiona Mitchell-Knight, Carol Calder, and Leigh Johnston).
- **17 March** – Angus BVAR draft report discussion with the team.
- **17 March** – Local Government Sector Forum.
- **18 March** – Scottish Leaders Forum (SLF) meeting with the Scottish Government's new Permanent Secretary (John Paul (JP) Marks) to discuss the SLF Action Group's NPF Accountability and Incentives work.
- **29 March** – Accounts Commission Strategy Seminar.

Antony Clark
Interim Controller of Audit
23 February 2022