

REPORT TO AUDIT COMMITTEE – 5 JULY 2018

EXTERNAL AUDIT – PROGRESS REPORT AT 30 JUNE 2018

1 Recommendation

1.1 The Committee is recommended to comment on this paper.

2 Background / Discussion

2.1 This report provides an update on progress against the 2017/18 audit plan and includes details of the Accounts Commission's strategy and annual action plan for 2018.

2.2 The Committee is asked to discuss and note the progress report, attached as appendix 1.

2.3 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

3.1 The Committee is able to consider/comment on this item in terms of Section G.1.5 of the List of Committee Powers in Part 2A of the Scheme of Governance as the report relates to the Council's relationship with its external auditors.

4 Equalities, Staffing and Financial Implications

4.1 An equality impact assessment is not required because this report informs the Committee on progress with planned audit activity and does not have a differential impact on any of the protected groups.

4.2 There are no staffing and financial implications as a direct result of this report.

4.3 The external audit process identifies risks and reports risks in the areas subject to review.

Ritchie Johnson
Director of Business Services

Aberdeenshire Council

Progress Report 2017/18



 AUDIT SCOTLAND

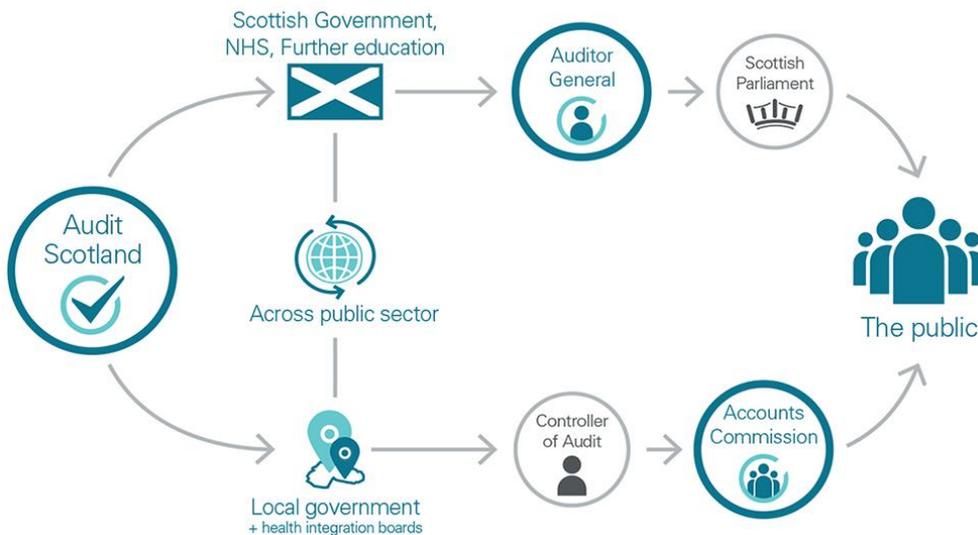
Prepared for Aberdeenshire Council

5 July 2018

Who we are

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

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



About us

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

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

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

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Planned work and other matters

1. This report aims to provide an update of progress with the 2017/18 audit. Our roles and responsibilities were set out in our 2017/18 Annual Audit Plan which was considered by the Audit Committee in March 2018. A significant element of our work relates to gathering the assurances required to support our opinion on the council's financial statements.

Progress against 2017/18 audit plan

2. In agreeing our fee for the audit, we agreed to deliver the following outputs in relation to the 2017/18 audit. A summary of progress against our plan is set out below.

Exhibit 1

2017/18 Audit outputs

Audit Output	Target date for Audit Committee	Actual date	Complete	Comments
Governance				
Local Scrutiny Plan 2018/19	June 2018	24 May 2018	Yes	
Interim Report	5 July 2018	5 July 2018	Yes	Separate agenda item
Financial statements				
Communication of audit matters to those charged with governance - Annual Report on the 2017/18 audit	20 September 2018			
Independent auditor's report on the financial statements	20 September 2018			
Audit opinion on charitable trusts accounts	20 September 2018			

3. Exhibit 2 sets out the returns we are required to certify and submit to Audit Scotland and /or the Scottish Government. While we do not routinely bring these documents to committee, we use our discretion when concluding these pieces of work to highlight areas of interest and/or concern for the committee's attention.

Such matters would be reported either through this regular progress report or our Annual Audit Report.

Exhibit 2

2017/18 Audit outputs

Audit Output	Submission date	Actual date	Complete	Comments
Performance Audit				
Health and social care integration part 2	Spring 2018	2 April 2018	Yes	Commentary provided to Audit Committee in May 2018.
Roads maintenance – impact assessment	Spring 2018	30 April 2018	Yes	Commentary provided to Audit Committee in May 2018.
Social Work in Scotland – impact assessment	Spring 2018	30 April 2018	Yes	Commentary provided to Audit Committee in May 2018.
National Fraud Initiative – Data Return	28 February 2018	28 February 2018	Yes	Commentary provided to Audit Committee in May 2018.
Fraud Returns	27 April 2018	27 April 2018	Yes	
Overview Report – Data Return	30 September 2018			
Grants				
Education Maintenance Allowance	31 July 2018	6 July 2018 (on schedule)	Yes	
Criminal Justice Services	30 September 2018			
Audit opinion on Whole of Government Accounts	30 September 2018			
Non Domestic Rates Income return	5 October 2018			
Housing Benefit Subsidy	30 November 2018			

Other matters

Transparency and Openness

4. Transparency is an important feature of public sector audit. Audit Scotland's Code of Audit Practice (2016) promotes transparency on decision making as well as financial and performance reporting. It's an area that we have been giving increasing consideration to as an organisation in order that we can make improved judgements on the level of transparency and openness in audited bodies.

5. Transparency means that the public, residents, have access to understandable, relevant and timely information about how the council is taking decisions and how it is using resources such as money, people and assets.

6. Transparency in the public sector is supported by statutory requirements and regulations. For example, the local government legislation provides rights of access to council documents. There are also requirements across the public sector for declarations of interest, disclosures on remuneration and severance payments. These are however minimum requirements and it is for individual organisations to decide whether the content and volume of the information that they make available contributes to increased understanding.

7. Governance guidance indicates that applying openness and transparency well in practice builds trust and confidence in the organisation and in those leading and managing. When the approach works well, scrutiny and accountability are more visible and effective and, overall, governance is and is seen to be more effective. This is important in day-to-day business but it also provides a platform for more difficult decisions that public bodies increasingly have to make in deciding how to use the money available for services. Providing clear information about the options and considerations, for example, helps service-users and taxpayers understand the issues and potential consequences.

8. The over-riding objective is how best to serve the public interest, achieved by consideration of openness and transparency and what that means in the context of the public organisation's business. That starts with the presumption that all key decisions made by public bodies are debated and made in public and that the material that is prepared to inform the decision-making process should be public. Inevitably, there may be occasions where organisations want to consider options or issues that are commercially sensitive or matters relating to individuals. In those circumstances, clear statements as to why business and related papers are not public can in themselves contribute to openness and transparency.

9. There is evidence from a number of sources which demonstrate the council's commitment to transparency. The public can attend meetings of full Council and committees and associated agenda papers and minutes of meetings are readily available on the council's website. Our reviews of minutes have not highlighted that excessive numbers of items were held in private. Where items were in private, the reasons for doing so were clear. Also, from March 2017 all council meetings were webcast live with recordings available online.

10. We have also noted that the council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and the council's complaint process. In addition, a wide range of performance information is available, including progress against Core Priorities, service performance, complaints data, customer satisfaction levels, benchmarking information and results from the Citizens Panel.

11. Our work in this area has so far focused on the processes in place and the types of information available. In our Annual Report for 2017/18 (to be published in September 2018), we aim to comment around key three questions:

- How does the council approach openness and transparency?
- How good is the council's information?
- Does the organisation demonstrate commitment to improving openness and transparency?

Accounts Commission Strategy

12. The Accounts Commission issued its updated strategy covering 2018 – 2023 in June 2018. The document is attached as Appendix 2. Included with the strategy is an annual action plan which sets out the Commission's priorities in relation to Best Value Assurance Reports, performance audits, following the public pound and working with scrutiny partners.

13. In particular, the action plan refers to the Commission's intention to publish a report in the 'How councils work' series on internal controls and scrutiny. This report in part will be a response to the recent fraud case in Dundee City Council, details of which were shared with the Audit Committee in May 2018. The scope of the report is likely to focus on managing risks through internal control, combined with the principles of effective scrutiny.

Strategy and annual action plan

2018-23

Who we are

The Accounts Commission is the public spending watchdog for local government. We use our powers to hold local government to account and help it improve, and we assure the public about the performance of their council. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance, financial stewardship and value for money in how they use their resources and provide their services.

We ensure that councils publish the right information to enable citizens to assess their council's performance both over time and in comparison with similar councils.

We were established in 1975 'to secure the audit of all councils in Scotland and to undertake and promote comparative studies to improve the economy, efficiency and effectiveness in how councils provide services'. Since our establishment, our remit has been extended by the Scottish Government:

- In 2003, we were given the responsibility to audit councils' duty of Best Value and community planning.
- In 2008, we were asked to take on a coordinating role to support the delivery – in conjunction with our scrutiny partners – of better aligned and more proportionate and risk-based scrutiny of local government.
- In 2012, we were asked to develop an audit framework designed to strengthen the accountability of Community Planning Partnerships and support their improved performance.
- In 2013, we were given the responsibility to audit health and social care integration joint boards (including the duty of Best Value).

The Controller of Audit reports to the Commission on the audit of local government. The post is independent and is established by statute.

The Commission delivers public audit in Scotland along with the Auditor General who audits the remainder of the public sector in Scotland. Audit Scotland was created in 2000 to provide services to the Commission and to the Auditor General.

We have jointly published with the Auditor General and [Audit Scotland Public audit in Scotland](#), which sets out the principles and themes of public audit and how it fits with and responds to the public policy environment in Scotland in which we operate.

You can find out more about our role, powers and meetings on the [Accounts Commission web pages](#).

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Context



It is our role to provide independent assurance to the public on the performance of each Scottish council. To do this, we ensure continuously that our work is responsive to the environment in which councils operate, which sees:

- reduced resources – public spending is likely to decline in real terms for the foreseeable future
- demographic change – Scotland’s population is ageing which puts more pressure on services and resources
- increasing public expectations about the content, quality and delivery of public services, and how the public is involved in designing those services
- increasing empowerment of citizens and communities in their relationship with councils
- increasing flexibility in how local public services are delivered
- enhanced devolution and increased financial powers to the Scottish Parliament
- implementation of the referendum decision that the UK leave the European Union.

We acknowledge these factors place significant pressures on councils in their responsibilities to deliver high-quality services for service users and better outcomes and reduced inequalities for communities. We expect them to show how – through rigorous self-evaluation – they are making best use of their resources and continuously improving their performance in order to meet their statutory duty of Best Value.

Our strategic audit priorities



Our overriding aim is holding councils to account for their pace, depth and continuity of improvement facilitated by effective governance. It is for councils to make choices in where they focus their improvement work but they need to be able to show how they have arrived at such choices.

We will evaluate in our audit work how councils are demonstrating such improvement. In particular, we will use annual audit work and auditing Best Value to assess how councils are progressing in the following priority areas:

- Having clear priorities with a focus on outcomes, supported by effective long term planning.
- Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities.
- Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
- Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
- Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.

Our work

We will maintain a five-year rolling programme of work reflecting the following:



Ensuring that our **overview reporting** provides an assessment of the performance of local government that informs discussion and debate about the issues that it faces.



Taking forward our new approach to the **annual audit and auditing Best Value** to clearly set out the Best Value expectations of councils and report on councils' delivery of key public services and their use of public money.



Ensuring that our **national performance audit work** appropriately covers the key areas of public policy and is facilitating improvement in those areas.



Ensuring that our work **follows the public pound** by reporting upon the range of approaches that are used by councils in delivering services and improving outcomes for communities.



In conjunction with our scrutiny partners, continuing to **coordinate the audit, inspection and regulation of local government** in Scotland.



Better reflecting the interests of the citizen, service user and communities in our work, including Best Value auditing, in performance audits and in our joint work with our scrutiny partners.



Promoting good practice and innovation in our work and making more effective use of data and analysis in our reports.

In taking this work forward, we will ensure regular dialogue and engagement with stakeholders, including the Scottish Government, Parliament, councils, professional associations, trade unions and organisations representing the user, community, service and local government interests. Our [Engagement strategy and plan 2018/19](#) sets out how we will do this.

We will also ensure that we continuously improve our own work by reviewing our working practices and the quality of our reports. We will test and report on our performance and impact and consult regularly on this with our stakeholders.

Annual action plan

This action plan sets out how our work over the next 12 months will take forward our strategy. We will report progress at the end of that period. We will:



Publish our overview reports setting out our assessment of local government, based upon all of our audit work.



Take the audit forward by:

- Reporting a schedule of Best Value Assurance Reports:
 - Dumfries and Galloway Council
 - East Ayrshire Council
 - East Lothian Council
 - Fife Council
 - Glasgow City Council
 - West Dunbartonshire Council.
- On top of this, featuring assessments in relation to Best Value in all annual audit reports, reflecting our strategic audit priorities and risks and issues of specific relevance to each council.
- Continuing to contribute to a review and update of the characteristics of Best Value being led by the Scottish Government and councils, including ensuring that it reflects our expectations.



Undertake national performance audits on:

- Children and young people's mental health
- Health and social care integration (part 2)
- Value for money of non-profit distributing models.

We will also ensure that our work reflects the policy environment in which local government operates by considering throughout the year a range of briefings and reports on specific policy matters.



Report the impact of our previous performance audits on:

- Community planning: an update
- Roads maintenance
- Social work.



Follow the public pound by:

- Undertaking a performance audit health and social care integration
- Reporting on the impact of our previous performance audit on community planning
- Considering the issues arising from the annual audits of integration joint boards
- Ensuring, in our national performance audits, reflection of councils' leadership roles in partnership working.



Continue to work with our strategic scrutiny partners in coordinating and refining our approaches to the scrutiny, audit and inspection of councils.



Reflect the interests of the citizen, service user and communities by:

- Reviewing our requirements of councils (in our statutory performance information Direction) to report performance to their citizens
- Considering these interests in the scoping of all of our performance audit work
- Reporting on these interests in our Best Value Assurance Reports
- Developing with our scrutiny partners joint approaches to scrutinising community empowerment.



Promote good practice and innovation by:

- Publishing a report in our *How Councils Work* series on internal controls and scrutiny.
 - Ensuring that every performance audit:
 - contains practical advice for councillors and officers
 - makes background data available for use by councils and citizens.
-

Strategy and annual action plan 2018-23

2018-23

We want to make our work and our reports as easily accessible as possible.

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