

## Audit and Assurance Committee Meeting

Date of Meeting	Tuesday 9 March 2021
Paper Title	Audit Scotland – Covid-19 What it means for public audit in Scotland
Agenda Item	12
Paper Number	AAC5-G
Responsible Officer	Jim Godfrey, Finance & Resources Director
Recommended Status	Disclosable
Action	For Discussion

### 1. Report Purpose

- 1.1. To note the recent Audit Scotland report Covid-19 What it means for public audit in Scotland.

### 2. Recommendations

- 2.1. The Committee is invited to **note** the actions being taken by Audit Scotland in response to the impact of Covid-19.

### 3. Report

- 3.1. Audit Scotland maintain a Covid-19 e-hub. This contains a number of briefings and reports that are of interest to this Committee. The hub can be accessed via the following link:

<https://www.audit-scotland.gov.uk/covid-19>

- 3.2. The most recent report was published on 25 January 2021. It provides an update on the response to Covid-19 following the reintroduction of significant restrictions. The report outlines progress in respect of financial and performance audit programmes and how Audit Scotland will assess the pandemic's impact on public bodies. A copy of this report is attached as an Annex to this report.

### 4. Risk Analysis

- 4.1. The report provides a useful update and helps to inform the work of the Audit and Assurance Committee.

### 5. Equalities Implications

- 5.1. There are no direct equalities implications arising from this report. However, the Audit Scotland work programme is expected to examine the impact of Covid-19 on different groups of people.

**6. Legal Implications**

**6.1.** There are no specific legal implications arising from this report.

**7. Resource Implications**

**7.1.** There are no immediate resource implications as a result of this paper.

**8. Strategic Plan Implications**

**8.1.** The report highlights the impact of Covid-19 on public audit. There is no direct impact on the Strategic Plan but there could be future implications on the work programme of this Committee.

Covid-19

# What it means for public audit in Scotland

Update



Prepared by Audit Scotland  
January 2021

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# Our approach

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## Context

- During 2020, public bodies came under exceptional pressure as they managed the impact of the Covid-19 pandemic.
- In late December 2020 and early January 2021, significant restrictions have been reimposed across Scotland. At this stage it is unclear how long these will be in place.
- Our experience during 2020 was that the pandemic has impacted significantly on the timelines for producing annual accounts at public bodies and for audit work due to pressures on capacity and productivity in all organisations.
- The reimposition of restrictions is likely to continue and potentially exacerbate these pressures during 2021.
- In 2020, guidance and deadlines for financial reporting and audit were amended in light of the pandemic. We are keeping the situation this year under review.
- Public bodies have now adapted how they work in response to Covid-19. Further challenges are likely to emerge as we move to recovery from the acute phase of pandemic. It will also be some time before we fully understand the longer-term impact on public services and finances.

## Audit Scotland's principles

- During the initial phase of Covid-19, along with the Auditor General and the Accounts Commission, we adopted a set of key principles setting out how we would respond to the pandemic. During 2020, they proved to be both effective and appropriate. They will continue to be our guiding principles through the next phase of the Covid-19 crisis:
  - Our approach to audit will be flexible, pragmatic and consistent.
  - Sound financial management and effective governance are more important than ever.
  - Audit has a key role in providing assurance and aiding scrutiny during these difficult circumstances, and we will prioritise quality and independence.
  - Our work needs to reflect the impact of Covid-19 on public services but also maintain a focus on the other key challenges facing Scotland's public sector.
  - We will prioritise the health and wellbeing of our colleagues at all times.

## What we have delivered during the pandemic so far

- With the Auditor General and Accounts Commission, we have published more than 260 reports in the past year. This includes:
  - annual financial audits of 215 public bodies
  - performance audits on matters including affordable housing, local government performance, and digital progress in local government
  - statutory reports on issues arising from the audits of public bodies, including the Scottish Government’s Consolidated Accounts
  - Covid-19 impact reports on fraud risk, public finances in Scotland, public audit and how Audit Scotland is responding
  - Covid-19 guidance documents to auditors and public bodies on issues such as audit committees, balancing the budget and going concern
  - the National Fraud Initiative and corporate performance reports
  - joint documents with the local government Strategic Scrutiny Group.
- We continued to support the Scottish Parliament to carry out its scrutiny role.
- We have supported the Accounts Commission to meet virtually twice a month.
- We reviewed and consulted on the forward work programme we deliver for the Auditor General and Accounts Commission. We are renewing it to address the emerging impacts of Covid-19 alongside the other key issues Scotland’s public sector faces.
- We continued to meet virtually with our fellow audit and inspection agencies across Scotland’s public services.

## Financial audit

- In 2020, to reflect the pressure on public bodies, the deadlines for preparing public bodies’ accounts for the 2019/20 year were extended. These impacted on timings for audit work and reporting.
- While almost all audits were completed within the revised deadlines, the extensions mean that the planning work required for audits of the 2020/21 year has started later than in previous years.
- The reintroduction of restrictions will affect capacity for audit work.
- We are monitoring developments and guidance which may affect the timelines and scope of 2020/21 accounts. We will issue guidance to auditors as required in due course.
- During 2020, the impact on individual bodies’ capacity for reporting and engaging with audit varied widely. Prior to the second wave of the pandemic it could have been expected that uncertainty and volatility would settle, but the full impacts of the second wave and the renewed restrictions are still unclear.
- There has been significant additional public spending in response to Covid-19. A key focus of audit is the governance and outcomes of this funding, as far as they are becoming apparent, or ‘following the pandemic pound’.

- We will work with colleagues, including appointed audit firms, to promote consistency of judgement on complex issues.
- We will maintain audit quality while continuing to be flexible about timelines.

## Performance audit

- During 2020, we paused and reframed our programme of performance audits.
- This was in part in order to understand the emerging impacts of Covid-19, what new work is required and how existing planned work needed to be reshaped.
- This decision was also to avoid placing additional scrutiny burdens on public bodies at a time when they were trying to address the significant impact of the pandemic on public services. We resumed our performance audit programme when we judged it appropriate, and have published audits, briefings and statutory reports (see page 3), as well as consulted with key stakeholders on our refreshed programme.
- We are publishing the refreshed programme shortly. More detail can be found on pages 6-7.

## Best Value auditing

- We have continued the programme of Best Value reporting on councils for the Accounts Commission during the pandemic. These audits have provided early indications of how councils are responding to the many challenges caused by the pandemic.
- The reporting timetable and audit approach for some Best Value reports was reviewed during 2020 to reflect the pressures on councils and remote auditing. The remaining seven reports planned for 2021 will now be published across 2021 and 2022.
- We've continued developing the integrated Best Value audit approach for councils and integration joint boards.

## Overview reporting

- We have continued to prepare sectoral overview reports (eg, NHS and local government) during the pandemic. A key feature of this work is considering how public bodies are responding to the short, medium and longer-term impact of Covid-19. We adjusted the timetable to reflect the altered audit timelines.

## Our resources

- Over the past year we have needed to be flexible with our resources to manage the changing timescales and priorities. For example, while the performance audit programme was being refreshed during 2020, we redeployed appropriately qualified colleagues to allow us to meet the revised statutory deadlines for financial audits.
- The world we audit has changed. We are changing to ensure we can continue to deliver high-quality, independent public audit at a time when Scotland's public sector will face greater challenges than at any point since devolution.
- We are increasing our capacity, infrastructure and skills, and investing in realising the capabilities in areas such as digital audit.

- When necessary, we will be flexible about deadlines in order to safeguard quality.
- The Auditor General for Scotland and the Accounts Commission have extended the current audit appointments until 2022 to provide continuity and stability in a challenging environment.

# Our future Covid-19 work

## Overview

Audit Scotland is committed to helping the Parliament, the public sector and the people of Scotland understand how public money has been used during this crisis and ensure lessons are learned for the future. While we will keep a dynamic approach as the pandemic progresses and the impacts become clearer over time, key focuses of our work will include issues such as the effect on inequalities in health, economic security and opportunities, and what public money has achieved in helping Scotland recover. We will also consider how innovations, such as using digital technology to deliver services and engage with communities, can be shared.

Covid-19 will be a key aspect of all financial audit work for the foreseeable future. Through the performance audit programme, we will address the pandemic through specific Covid-19 audits and in audits on other areas of public service provision and planning. The table below outlines some of the themes and the areas we will address on behalf of the Auditor General and Accounts Commission.

Theme	What we'll look at	Key areas
Economic recovery and growth	How public money is being used to support the economy and its response to, and recovery from, Covid-19	<ul style="list-style-type: none"> <li>Public finances including new devolved financial powers</li> <li>Supporting jobs, business and enterprise</li> <li>How funds have been distributed across the public and third sectors and communities</li> <li>Skills and training</li> <li>Infrastructure investment and low carbon economy</li> <li>Impact of EU withdrawal</li> </ul>
Policy priorities	Progress on key policy commitments and public services' ability to deliver on long-term strategic priorities and outcomes	<ul style="list-style-type: none"> <li>Early learning and childcare</li> <li>School education</li> <li>Community empowerment</li> <li>Health and social care integration</li> <li>Community justice</li> <li>Climate change</li> </ul>
Inequalities	The impact of Covid-19 on different groups in society, with a focus on the risk of exacerbation of existing inequalities	<ul style="list-style-type: none"> <li>Child poverty</li> <li>Children and young people with additional needs</li> <li>Care experienced children and young people</li> <li>Mental health</li> <li>Social security</li> <li>Digital inclusion</li> </ul>



Theme	What we'll look at	Key areas
Innovation and transformation	How public bodies are learning lessons and innovating and transforming public services	Digital transformation Service re-design Workforce planning
Governance and accountability	How public bodies are ensuring the proper and effective use of public money across the public sector and within individual bodies	Fraud risks Effective scrutiny Collaborative leadership Following the pandemic pound

# Covid-19

## What it means for public audit in Scotland Update

This report is available in PDF and RTF formats,  
along with a podcast summary at:

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

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