

MEETING: 14 JANUARY 2021

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

STRATEGY AND WORK PROGRAMME: AUDIT SCOTLAND RESPONSE TO COMMISSION THEMES AND PRIORITIES

Purpose

1. This paper sets out how Audit Scotland is planning to respond to the themes and priorities emerging as part of the Accounts Commission's strategy development and Insight Programme work.
2. It draws on discussions at the Commission's strategy seminar in August, the priorities discussion that took place at the Commission's October Insight Programme meeting and wider issues emerging from the Commission's ongoing Insight Programme.

Strategy seminar: August 2020

3. At its strategy seminar in August, the Commission considered the key Covid-19 related risks and issues facing councils and their partners in Scotland. This discussion helped the Commission give early thought to how it could reflect Covid-19 in its future strategy and work programme.
4. During this seminar, Commission members noted that:
 - a) The pandemic has highlighted the importance of many long-standing issues it has previously reported on: good governance, openness and transparency, financial controls and management, and effective long-term planning.
 - b) In some areas of interest, such as financial sustainability and service provision, Covid-19 has exacerbated pre-existing risks and challenges.
 - c) The significant negative economic consequences of the pandemic may affect progress towards key national performance framework outcomes. For example, progress towards inclusive growth and tackling inequalities.
 - d) Different groups in society have been disproportionately affected by the pandemic. Members agreed that equalities should be a key lens through which to consider future audit work.
5. As part of that discussion the Commission agreed that its future work programme should consider how to capture and share the good practice and innovation emerging as part of the public service response to Covid-19.

Insight Programme priorities discussion: October 2020

6. The Covid-19 emergency has challenged the nature and sustainability of public services, and the relationship between communities and citizens and those public services. In that context the Commission agreed at its August strategy seminar to undertake an Insight programme to reconsider how it fits into this changed environment with a view to shaping and publishing a new strategy and work programme in Spring 2021.

7. The Insight Programme consists of a combination of:
 - a) considering the Commission's priorities and purpose
 - b) engaging with key external stakeholders
 - c) discussions on what the short, medium and longer-term impact of Covid-19 might mean for the Commission's expectations of local government bodies.

8. Before its Insight Programme meeting in October Commission members completed an online prioritisation exercise. This helped inform a working list of themes and priorities for its future work programme. During the October discussion Commission members made the following points about areas of interest:
 - a) consider councils' role in supporting local economic growth
 - b) health and social care integration should be a key focus
 - c) local government Covid-19 spending, including to community groups, should be properly scrutinised
 - d) important to make connections across different aspects of Scottish Government policy. For example, the links between poverty, mental health and disability
 - e) community empowerment to be prominent including the role of Community Wealth Building
 - f) need to consider performance and outcomes from a citizen perspective.

Response to themes and priorities

9. Policy cluster teams have drawn on the working list of themes and priorities and Commission members' specific areas of interest to start to develop work programme proposals for April 2021 onwards. The Appendix shows the progress we are making with this.

10. In addition to its regular local government overview reports and Best Value Assurance Reports, specific areas for potential performance audit activity beyond April 2021 include: social care sustainability and early learning and childcare. The proposals also outline plans for other outputs related to: community empowerment, climate change and housing benefit.

11. Our proposals also reflect and respond to the key Covid-19 risks and challenges the Commission discussed at its strategy seminar in August. They seek to set out clear future priorities for the Commission in the context of the key risks and challenges facing councils, IJBs and their partners.

12. The principles below will guide our planning and delivery. They are not universal and some will be more prominent than others depending on the nature of the audit work.
 - a) **Insight and improvement** - Our unique local and national perspective will produce valuable insights into the innovative ways Scotland's public services are responding to Covid-19, contributing to learning across the whole public sector and driving improvement as Scotland moves towards recovery and renewal.
 - b) **Person-centred** - Wherever possible and appropriate, audit work will capture and reflect the needs and concerns of the people who use public services.
 - c) **Cross-cutting themes** - When scoping audit work we will look to integrate thinking on key themes and issues that cut across policy areas and have an impact on citizens and service users. The main cross-cutting themes we have identified in the draft programme are:

- prevention
- digital
- inequality
- climate change
- community engagement.

d) **Flexible and agile** - Our work will remain flexible and agile. Our work programme may need to change at short notice as new issues emerge or risks change. We will report our audit work in a range of ways, including thematic briefing papers, round table discussions and blogs alongside traditional overview, performance audit and statutory reports. We will consider how we ensure the Commission is able to review and approve the work programme at regular intervals.

Plans for consultation

13. The Commission consults with its key stakeholders to ensure its priorities and programme of work reflect issues important to the local government community. It does this through regular dialogue with its stakeholders and through its annual written consultation on its draft work programme.
14. This year the Commission has already begun its engagement over the revised code of audit practice and new approach to the auditing Best Value, including its application to IJBs. Some of these activities were suspended with the onset of Covid-19 and have now resumed. This brings the opportunity to widen these discussions to include the Commission's priorities and emerging work programme.
15. The Commission's work programme consultation normally starts in late autumn, with the Commission receiving a summary of the feedback at its February meeting before publishing its strategy and work programme in March.
16. The timings will need to be altered this year given the impact of Covid-19. After discussing with the Commission support team, we would suggest the Commission issues its work programme consultation shortly after its January meeting. The Commission can then receive a summary of the findings at its March meeting, allowing around four weeks for consultees to respond, and publish its strategy and work programme in early spring in conjunction with the Auditor General.
17. The consultation feedback summary will include both the written consultation with councils, IJBs and other key stakeholders, plus feedback from wider stakeholder discussions, as set out in Table 1.

Table 1: Consultation approach and timescales

Stakeholder	Approach	Timescale
Councils	Formal work programme consultation issued to all council chief executives	January / February
	Further discussions on BV developments with SOLACE and chief financial officers	January
	Newsletter to update councillors on consultation on Commission work programme	January
Integration Joint Boards	Formal work programme consultation issued to IJB chief officers	January / February
	Workshop with IJB officers to discuss BV auditing in context of work programme	January
	Communication to IJB chairs advising on plans for BV auditing in IJBs	January
Scottish Government	Discussion with Local Government Minister on strategy	October 2020 & early 2021 (to be confirmed)
	Communication with Local Government Division on Commission Strategy & Work Programme	February / March
Scottish Parliament	Discussion with Local Government and Communities Committee to include BV and Commission priorities.	January TBC
Public	Commence series of Commission-led roundtables with event on service expectations for communities.	February TBC

Conclusion

18. The Commission is asked to:

- a) Note the progress we have made developing proposals that respond to its emerging themes and priorities (Appendix).
- b) Approve the consultation approach set out in this paper.

19. We will reflect the Commission's feedback and consultation feedback on these proposals and table a final draft dynamic work programme in the spring of 2021.

Fraser McKinlay
Director of Performance Audit and Best Value
15 December 2020

DRAFT WORK PROGRAMME PROPOSALS – BEYOND APRIL 2021

Introduction

The Accounts Commission, working with the Auditor General for Scotland, is committed to ensuring that public audit makes a positive contribution to the recovery and renewal of public services. This is more important than ever in the context of the unprecedented challenges and uncertainties facing Scotland's public services and public finances due to the global coronavirus (Covid-19) pandemic.

It is crucial to assess how well public money is being used to rebuild the economy and repair the damage to communities caused by Covid-19. Public audit has a key role in reporting on how the virus has affected the quality and effectiveness of public services. It can also help establish whether the Scottish Government's investment in its Covid-19 recovery plan delivers a fairer, more just and equal society, with better outcomes for Scotland's people.

This work programme is taking place in a volatile and uncertain context. It is difficult to predict how the next few months and years will unfold. Alongside recovery and renewal, there are other important strategic challenges and change we need to respond to:

- continuing to implement wider financial powers devolved to Scotland.
- the potential long-term effects of EU withdrawal on Scotland's economy and its public services.
- intensifying pressure to respond to climate change.
- planned elections to the Scottish Parliament in May 2021.

Auditing Best Value

Current approach to September 2022

The Commission has reviewed the audit approach for 2021 and 2022 Best Value (BV) work to take account of the impact of and response to Covid-19 within local government. The table below sets out plans for the remaining seven Best Value Assurance Reports (BVARs) the Commission is due to publish during this period.

Year	Council	Auditor	Proposed month for reporting to AC
2021 Year 5	Aberdeen City	KPMG	June 2021
	South Ayrshire	Deloitte	August 2021
	East Dunbartonshire	ASG	September 2021
	Falkirk	EY	November 2021
2022 Year 6	Moray Follow-Up Report	ASG	February 2022
	Comhairle nan Eilean Siar	ASG	Tbc
	Angus	ASG	Tbc
	Shetland Islands	Deloitte	Tbc

Auditors will continue to determine the scope of BV audit work to reflect the local risks in each council, relating to the statutory BV themes. While the primary focus in BVAR will remain judgement on the council's continuous improvement, auditors will supplement this with commentary on its response to the Covid-19 pandemic. This will include its response to the immediate pressures of Covid-19 and how well placed it is to respond to the challenges in the medium to longer term. This revised approach will mean the coverage of the future BVARs may be different from those already published.

Approach from September 2022 onwards

In November 2019 the Commission agreed a new approach to auditing BV in councils. This comes into effect from September 2022 and includes the following:

- Local audit teams will fully integrate BV audit work into annual audit work and report it through Annual Audit Reports (AARs).
- At least once during each five-year audit appointment the Controller of Audit will provide the Commission with a section 102 statutory report on top of the AAR. This will cover progress relating to the BV statutory themes.
- The Commission will not publish BVARs.

- The Commission will agree coverage for BV thematic work. The AARs and the Controller's Annual Assurance and Risks Report (AARR) will help the Commission identify areas of risk where it requires audit work across all councils. This will be on top of risk-based annual audit work.

Under this new approach local auditors will audit and report on BV as part of their wider scope audit work. They will take a risk-based approach, considering and reporting audit findings on:

- local audit risks identified in statutory BV theme areas
- follow up of previous audit recommendations, including those on BV thematic work
- thematic BV work prescribed by the Commission.

Through the BV thematic work there is an opportunity for the Commission to build on AARs and the AARR to explore areas of audit risk within their themes, priorities and areas of interest.

Best Value in integration joint boards

The Accounts Commission is committed to developing an approach to auditing BV in health and social care integration joint boards (IJBs) that is proportionate, risk-based, and which will provide public assurance on the extent to which IJBs are meeting their statutory BV duty.

The new BV audit arrangements will be developed in time to be introduced as part of the next round of Accounts Commission/Auditor General for Scotland external audit appointments to IJBs which will begin in 2022/23 and run through to 2026/27.

The Commission's approach to auditing BV in IJBs will be based on the following principles:

- founded on integrated wider-scope annual audit work
- proportionate and risk-based
- targeted at topics where wider scope BV audit work will add greatest value
- informed by IJB self-evaluation activity
- developed in consultation with scrutiny partners, and informed by their scrutiny work
- focused on driving improvement
- flexible and able to adapt to changing circumstances.

The Commission will be working closely with the Care Inspectorate and Healthcare Improvement Scotland when developing its new audit approach given the important role that their existing joint strategic inspections of adult care services and services for older people already play in supporting accountability and improvement in IJBs, and because this work already considers several important BV themes (e.g., vision and leadership, governance and accountability, use of resources, partnership and collaboration, and performance).

The Commission will also be working closely with IJBs when designing its new audit approach to ensure that it aligns effectively with the wide range of self-evaluation activity undertaken by IJBs and is targeted and focused on those areas where audit can make the greatest difference in supporting improvement.

Given the significant uncertainties in the IJB operating environment, the Commission will be developing a flexible audit model which is able to reflect the likely longer-term impact of the Covid-19 pandemic on IJBs and any significant issues arising from the ongoing [Independent Review of Adult Social Care in Scotland](#).

Commission themes and priorities

Theme one: Economic recovery and growth

How public money is being used to support the economic recovery

We anticipate Covid-19 will have a significant impact on the Scottish economy and public finances. Increased unemployment is likely, which may increase demands for social security. Any reductions in tax take will increase longer-term pressures on public finances.

The Scottish Government is investing in measures to mitigate the negative impact of the pandemic and support economic recovery. Audit work on the impact and effectiveness of these investment programmes and related policy interventions will be a central feature of our longer-term work programme, alongside audit work on the potential impacts of Brexit across government.

Within this theme the Accounts Commission has prioritised supporting jobs, businesses and enterprise. Members are also interested in how funding is being used to support local businesses, the skills and re-training required, and responding to the climate emergency now to avoid a future crisis.

Supporting jobs, business and enterprise

Our initial work in this area will focus on key Scottish Government Covid-19 spending decisions. We aim to establish:

- where the money has gone to address the economic downturn associated with Covid-19
- how it has been managed (including how the risk of fraud has been managed)
- how public bodies (mainly the enterprise bodies and councils but also key arts bodies) have adjusted their activities to support affected businesses and individuals
- what the results have been.

Local auditor work will be central to this.

We will use the Scottish Government's Economic Recovery Plan as a starting point to prepare a briefing paper looking at economic development activity across the public sector. This will provide the basis for further programme development work and proposals for a range of different audit outputs in the future. Other areas of economic development activity, such as ambitions for a green, wellbeing recovery and sustainable, green growth, will also feature as part of this work.

In the longer term, we will consider the scope for outputs which examine:

- developments to, and delivery of, City Region and Growth Deals. This will follow-up on our previous performance audit and consider changes to the City Deals approach, for example to address regional inequalities and tackle climate change.

	<ul style="list-style-type: none"> • the introduction and performance of the Scottish National Investment Bank (SNIB) in supporting business development • support to rail services, including the contribution that rail is making to supporting progress in reducing CO2 emissions through modal shift. For example, reducing road-based cargo shipping.
<p>Public finances</p>	<p>We will keep the overall position of the devolved public finances under review, including the operation of the fiscal framework and any significant risks to financial sustainability. This will include:</p> <ul style="list-style-type: none"> • monitoring and reviewing fiscal developments such as the Scottish Government’s medium-term financial strategy • Scottish Fiscal Commission forecasts alongside the Scottish and UK budgets • considering any changes that might flow from the planned review of the fiscal framework. <p>We will track the funding of Covid-19 related public spending and assess its implications for Scottish public finances. More details are available about this in the section on following the pandemic pound under theme five.</p>
<p>Skills and training</p>	<p>Equipping the workforce with appropriate skills is important for Scotland’s economic growth. Planning for skills provision needs to consider a range of factors including the potential impact of EU withdrawal and Covid-19 on the labour market, demographic change, the climate emergency and advances in digital innovation. Recent reports by the Advisory Group on Economic Recovery and the Enterprise and the Skills Strategic Board have stressed the importance of aligning skills provision with the current and future needs of employers and individuals.</p> <p>Given the central role of the skills sector in supporting economic recovery and growth we are proposing undertaking audit work for the AGS in 2021. This is likely to examine how the Scottish Government and its partners are working together to plan and invest in skills provision.</p>

<p>Infrastructure investment and low carbon economy</p>	<p>We are considering the scope for outputs looking at infrastructure investment. These will build on the January 2020 audit on Privately Financed Infrastructure Investment. Other key documents which will inform these include: the Scottish Government’s Infrastructure Investment Plan (IIP), Medium Term Financial Strategy and updated Climate Change Plan. They are all due to be published in early 2021.</p> <p>Longer term, we are considering audit work on strategic capital investment, which will look at how the IIP is being delivered in practice.</p> <p>The IIP places significant emphasis on the need to tackle climate change and this is likely to be central to future work in this area. Further work on climate change is included in theme two: policy priorities and outcomes.</p>
<p>Impact of EU withdrawal</p>	<p>The impact of EU withdrawal will become clearer over time and measures to address it are likely to feature across economic recovery and growth audit work, including local government economic development activities, skills and training, and infrastructure investment.</p> <p>Local auditors will continue to look at councils’ preparations for EU withdrawal in annual audit reports. BVARs will also look at the impact of EU withdrawal in 2021 and 2022 as appropriate.</p> <p>Longer term, we will consider the scope for work which looks at the implementation of schemes designed to replace the EU Structural, Social and Agricultural Funds.</p>

Theme two: Policy priorities and outcomes

Progress on key policy commitments and public services’ ability to deliver on long-term strategic priorities and outcomes

Outcomes from public expenditure are what makes a difference to peoples’ lives. Public audit has an important contribution to make in testing whether the Scottish Government’s improvement ambitions are making a difference on the ground.

Covid-19 has exacerbated pre-existing risks and challenges in areas such as financial sustainability and service provision. The significant negative economic consequences of the pandemic may also affect progress towards key national performance framework outcomes. For example, progress towards inclusive growth and tackling inequalities. The impact of this changed context will be reflected in our future audit work.

Within this theme the Accounts Commission prioritised health and social care integration, with members expressing an interest in funding risks and whether IJBs are achieving their aims. Members also interested in education, climate emergency, and prevention and early intervention.

<p>Local Government Overview (LGO)</p>	<p>The Commission’s approach to LGO reporting in 2021 will focus on the initial response to the pandemic by local government, including what the main risks and issues were, how services changed and adapted, what early lessons have been learned, and recovery plans. Future overview reports will focus more on the longer-term impact of the pandemic.</p> <p>The LGO 2021 report will include:</p> <ul style="list-style-type: none"> • how local government used contingency and emergency planning measures to manage the crisis. • the resilience of council IT infrastructure. • councils’ communication with the public and stakeholders. • the effectiveness of partnership working in delivering services. • changes to governance arrangements, including risk management and internal control systems, and the impact on accountability and decision making. • the financial impact of Covid-19 for local government finances, including costs, loss of revenue and impact on savings generated. • changes to the ways council services are provided including the move to digital public services. • the impact and implications of the crisis on councils’ workforce. <p>Initial findings on the impact of Covid-19 on accelerating digital transformation in local government are covered in the Digital in Local Government audit due to publish in January 2021.</p>
<p>Financial LGO (FLGO)</p>	<p>The Commission’s next FLGO will focus on the financial impact of Covid-19 on councils. The content and coverage will be dependent on the levels of information available through the accounts and what information local auditors can reasonably obtain from councils during this challenging time.</p> <p>The report will be published in 2022 rather than November 2021. The FLGO will continue to provide the Commission with assurance on the financial health and sustainability of IJBs.</p>

<p>Health and social care integration</p>	<p>The Scottish Government policy of health and social care integration through the creation of Integration Authorities (IAs) to strategically commission and oversee local health and social services has been one of the most significant pieces of public service reform (alongside police and fire reform) of the last decade. For that reason, we have been undertaking a series of audits in this area over recent years:</p> <ul style="list-style-type: none"> • Health and Social Care Integration – December 2015 • Changing Models of Health and Social Care – March 2016 • Health and Social Care Integration: update on progress – November 2018 <p>In the last audit we reported that the shift to new models of care was not happening fast enough to meet the growing need. The Scottish Government needed to provide stronger leadership and NHS boards and councils, working with integration authorities, had to do more to facilitate change.</p> <p>Even before the global pandemic the challenges facing health and social care integration due to service demand and financial pressures were significant and there were significant doubts about whether the 2020 Healthcare Vision for Scotland would be achieved. Covid-19 is likely to have exacerbated many pre-existing challenges facing IAs and reinforces the need for fresh thinking to deliver the radical transformational change required to meet the scale of these challenges.</p> <p>We are planning further work on health and social care integration which is likely to revisit many of the themes of our earlier reports, including: leadership, strategic planning and change management, financial sustainability, quality and outcomes. The impact of Covid-19 will add new context to these.</p> <p>We are currently scoping a joint Commission/AGS audit on social care sustainability. This will need to reflect the findings of the ongoing Scottish Government independent review of adult social care, due to publish at the end of January, and other major policy developments in this area. Our work is likely to focus on issues of financial sustainability and the quality and effectiveness of local strategic commissioning and social care market management. We will provide an update on this to the Commission’s Performance Audit Committee in February.</p>
<p>Early learning and childcare</p>	<p>The AGS and Accounts Commission have already reported in February 2018 and March 2020 on the progress that the Scottish Government and Councils are making in planning for the expansion to 1,140 hours of funded ELC by August 2020.</p> <p>We are proposing to carry out two further pieces of audit work in our series of audits looking at the Scottish Government’s expansion of funded early years provision:</p> <ul style="list-style-type: none"> • A short audit will look at whether the expansion was delivered as planned and how much it

	<p>cost. The timing of this work will be dependent upon the new timetable for delivering 1,140 hours which has been paused due to the impact of Covid-19 on councils' ability to deliver their original expansion plans.</p> <ul style="list-style-type: none"> • In the longer term a further audit will look at the impact of the expansion. This is likely to focus on assessing whether the significant investment being made in expanding publicly funded ELC has delivered improved outcomes, is helping to reduce the poverty-related attainment gap and has made a difference in supporting parents and carers to work, train or study.
School education	<p>The Scottish Government and local government have set out in a joint agreement that:</p> <p>“improving the education and life chances of our children and young people is the defining mission of our Scottish education system. Our shared ambition is to close the unacceptable gap in attainment between our least and most disadvantaged children and to raise attainment for all”.</p> <p>The AGS and the Accounts Commission are planning to publish a report on school education outcomes in spring 2021 which will draw on the education outcomes audit work that we carried out in 2019/20, but which was not published because of the impact of Covid-19. The report will also consider how effectively the Scottish Government, councils and their partners have worked together to address pupils' immediate needs during the pandemic and how they are planning to remedy the potential longer-term damage to pupils' learning and well-being, including the likely impact of Covid-19 on the poverty-related attainment gap. We anticipate that the report will set out the key opportunities and challenges facing education in Scotland and will be used to inform our longer-term plans for future education-related audit work.</p>
Community empowerment	<p>Empowering communities is a national priority for the Scottish Government. It is an important part of public service reform, focusing attention on reducing disadvantage and inequality and improving outcomes for communities. Covid-19 makes effective community empowerment more important than ever.</p> <p>The Strategic Scrutiny Group's 2019 Principles for Community Empowerment report provided an overview of some of the key issues and challenges facing public bodies and their partners as they seek to take forward this important but difficult work.</p> <p>We are liaising with the SSG's Community Empowerment Advisory Group (CEAG) and working with the Accounts Commission to develop a programme of work on community empowerment. We are considering the following areas and how they fit into the work programme:</p>

	<ul style="list-style-type: none"> • Covid-19 – learn from good practice and challenges in effective community-based responses to the pandemic and how Covid-19 funding for communities has supported this. • Capacity and skills - capacity within councils and partner bodies for community empowerment and Community Learning and Development (funding, staff, skills, focus and priority). • Governance and accountability - how communities hold public bodies to account, governance for communities responsible for budgets or assets. • Improved outcomes - how local outcome improvement plans (LOIPs) and locality planning are supporting improved National Performance Framework (NPF) outcomes. • Impact - case study work on what difference the Community Empowerment Act and other activities are having on the ground in communities. <p>We will bring a paper to the February Commission setting out proposals for a briefing in 2021 on the Covid-19 response, longer-term work and how community empowerment links to other audit work.</p>
<p>Community justice</p>	<p>Shifting the balance of justice, from prison sentences to more community-based sentences, has long been an ambition of the Scottish Government. But, as last year’s statutory report by the AGS on the Scottish Prison Service indicated, prisoner numbers had been rising. At the same time, the number of community sentences had been falling.</p> <p>The reform of community justice in 2016 was intended to accelerate change. Community Justice Scotland replaced Community Justice Authorities and a new strategy and performance framework for community justice was launched. Our 2012 report Reducing reoffending in Scotland highlighted the lack of available data to assess performance in community justice. In its Outcome Activity Report in March 2020, Community Justice Scotland noted that data limitations mean it is not able to provide a definitive assessment of progress against the national outcomes for Scotland.</p> <p>Local community justice partnerships have been responsible for planning and delivering services since the reforms. Our analysis of community justice data indicates the use of community justice sentences varies. We are working to better understand the factors behind this variation. This will help us decide whether to do further audit work on the apparent lack of progress in shifting the balance of justice by community justice partnerships. The way in which the justice system responds to the courts backlogs caused by Covid-19 is also likely to have implications for community justice services.</p>

Climate change	<p>We have developed an internal briefing on climate change and are developing a plan for auditing climate change in the short, medium and longer-term.</p> <p>We propose a short series of alternative outputs in 2021 while we work in the medium term to increase the prominence of climate change in our work and mainstream it into integrated audits, performance audits and overview reports. As climate change is a cross-cutting area it is likely to feature in a range of other work such as infrastructure investment and developing a new, green-based, economy.</p> <p>We are also considering a more in-depth look at public sector actions and spend to reduce emissions, meet national targets and adapt the environment to mitigate the effects of existing climate change.</p> <p>We will work with the Commission and the AGS as we develop these plans.</p>
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Theme three: Inequalities

Impact of Covid-19 on different groups in society, with a focus on the risk of exacerbation of existing inequalities

Different groups in society have been disproportionately affected by the pandemic. The most direct of these is the elevated Covid-19 death rates amongst the BAME community. Furloughing and the wider economic impacts of Covid-19 on low earners and part-time workers, many of whom are women and younger people, creates a risk of longer-term negative effects on these groups, as seen in previous economic downturns and recessions. This highlights the importance of equalities being a key lens through which to consider future audit work.

Within this theme the Accounts Commission prioritised child poverty. Members noted the connectedness of poverty, mental health and disability and identified the need for preventative practice. Members also noted that digital inclusion is more pressing given the impact of Covid-19.

Child poverty

Prior to the impact of Covid-19, around one in four children in Scotland were living in poverty. This is expected to have increased as a result of the pandemic. In addition, children who were already living in poverty are likely to be more badly affected. Children living in poverty are likely to experience a range of negative impacts. The Child Poverty (Scotland) Act 2017 places a duty on Scottish Ministers to reduce four income-related measures of child poverty by 2030/31, with interim targets for 2023/24. The Covid-19 crisis has exacerbated the challenge of reducing inequalities and reducing child poverty and is likely to have a significant impact on the Scottish Government's ability to meet its child poverty targets.

We are considering carrying out audit work to look at the progress made in achieving these targets. This would include looking at any new 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. As part of scoping this audit work we will consider links with wider policy areas such as social security. Future audit work relating to services for children and young people will also consider links with child poverty.

Children and young people with additional support needs

Around a third of school pupils are recorded as having at least one additional support need. Available data on outcomes from school education shows a significant gap in attainment and positive destinations between children with additional support needs and all children. However, data on wider outcomes is not available to better understand the impact of education and other services on outcomes for young people with additional support needs. The [independent review](#) of the implementation of the additional support for learning legislation, published in June 2020, identified a number of areas for improvement. Outcomes for pupils with additional support needs are likely to have been negatively impacted by the closure of schools due to Covid-19.

We are currently monitoring the Scottish Government's response to the independent review and considering carrying out audit work to consider the effectiveness of actions by Scottish Government,

	<p>local government, schools and the further education, higher education and skills sectors, including spending, to improve outcomes for these young people and to mitigate the impact of Covid-19. This would build on our school education outcomes audit and could also look at transitions from school for these young people.</p>
<p>Care experienced children and young people</p>	<p>Care experienced children and young people are at risk of poorer outcomes in the short and longer term. The Independent Care Review published its reports in February 2020, following a three-year root and branch review that included hearing from over 2,000 care experienced children and adults. The reports make a wide range of recommendations for public bodies and set out a new approach for Scotland. In May 2020, the Scottish Government announced that it had established an Independent Oversight Board to progress the recommendations.</p> <p>We are monitoring how public bodies have responded to the Independent Care Review to improve outcomes and how they are addressing the impact of Covid-19, and we are considering the potential value of carrying out audit work on the response and impact.</p>
<p>Mental health</p>	<p>In 2018 we reported on Children and young people's mental health and made a commitment to a longer-term programme of audits on mental health related issues.</p> <p>The impact of Covid-19 on the nation's mental health and mental health services cannot be underestimated. It is widely accepted that the concurrently economic, social and health impacts of Covid-19 will have a compounding effect on many groups in society storing up future vulnerabilities which will play out over the longer term. The immediate and longer-term psychological impacts will be far reaching and are likely to lead to a deterioration of mental health – particularly affecting women, young people, families with young children, those facing financial problems, people with existing mental health issues, disabled people and the shielding group.</p> <p>We are currently considering how best to reflect this significant long-term challenge in our work programme. Options include:</p> <ul style="list-style-type: none"> • national overview work looking at the strategic planning by the Scottish Government and its partners to mitigate the potential negative mental health impacts of Covid-19 • specific client-group work (e.g. adult mental health services, women, young people), or • some combination of the above.
<p>Housing benefit</p>	<p>We propose carrying out a thematic study in 2020/21 to understand the full impact of Covid-19 on benefit services, which has resulted in different outcomes on councils' speed of processing performance. This study will take the form of a survey of all Scottish councils to establish the</p>

	<p>approach adopted, how this affected performance, and to identify good practice that could be shared. If agreed, we would seek to publish our findings in Spring 2021.</p> <p>We do not currently plan to carry out individual risk assessments in 2020/21 but will continue to monitor performance and engage with councils as appropriate.</p>
<p>Digital exclusion</p>	<p>The recent Covid-19 pandemic has highlighted that while digital can break down barriers and reach more people, it also excludes people. Some citizens and communities still experience difficulties in using digital public services because they cannot afford or access the right equipment, or do not have the right connectivity or required skills and knowledge.</p> <p>The Accounts Commission’s audit report on Digital in Local Government features digital exclusion and is timed well to inform the Scottish Government and COSLA’s consultation on their joint Digital Strategy. We will monitor progress with this consultation and consider the actions set out in the finalised strategy (due to publish in early 2021). This will help determine the type and timing of our future work in this area.</p> <p>We are considering audit work looking at digital exclusion and connectivity and how this is being addressed. We are also considering adopting a more thematic approach of considering digital issues in other pieces of work. For example, our audit on Education Outcomes will consider how technology was used to support learning during lockdown and the impact of digital exclusion.</p>
<p>Social security</p>	<p>The Scottish Government is now accountable for approximately £3.5 billion of social security expenditure. This expenditure will be a significant, demand-led, element of the Scottish budget which the government will need to manage alongside other priorities. Implementing and delivering the new social security powers successfully will be crucial to peoples’ experience of the Scottish social security system and the government’s achievement of its wider policy aims.</p> <p>We are planning audit work that will focus on the progress the Scottish Government has made in delivering devolved social security benefits and responding to our previous recommendations. It will assess the impact of Covid-19 on the Scottish Government’s benefits programme, including revised delivery plans and capacity for future delivery.</p> <p>Longer term, we will continue to monitor the transfer of social security powers to Scotland with a view to considering how this informs other audit areas, such as child poverty and inequalities, and whether we should produce any further outputs in this area.</p>

Theme four: Innovation and transformation

How public bodies are learning lessons and innovating and transforming public services

A wide range of public bodies have quickly reshaped their operating models to enable them to deliver the key public services that many people depend on. Changes and developments previously considered impossible or laborious, such as longer-term plans to introduce homeworking, were achieved within days by many public bodies.

Considering how the good practice and innovations demonstrated during the pandemic are being reflected and embedded in new models of public service delivery will be a key theme across the future work programme alongside audit work on wider public service reform programmes.

Within this theme the Accounts Commission prioritised service re-design. Members noted how digital transformation is inseparable from service redesign, and the need to share good practice across authorities. They also said workforce skills, aims to support economic recovery and the concept of Community Wealth Building were important.

Service redesign	<p>The pace and range of service change seen during the pandemic has been unprecedented. It is widely recognised that challenges lie ahead in embedding new models of service delivery in a sustainable way, and that reverting to ‘business as usual’ will not be possible given the scale of ongoing challenges caused by the global pandemic. No one yet knows what future models of public service delivery are needed, but major service redesign will be necessary.</p> <p>Previous audit reports on Enabling Digital Government (June 2019), the Accounts Commission’s Local Government Overview 2020 and Digital in Local Government (due to publish January 2021) have highlighted the need for a collaborative, whole systems approach to designing services around users and delivering better outcomes for citizens and communities. This will need collaborative leadership to break down barriers, and new skills to do proper user research and service design.</p> <p>Service redesign is unlikely to be a standalone audit. Instead, we are likely to treat it as a cross-cutting theme to be woven through all our audit work at both national and local level. We share the Commission’s assessment of the interconnectedness of service redesign and digital transformation and will take a joined-up approach to our work in these areas.</p>
Digital transformation	<p>The Covid-19 pandemic has highlighted how vital a role digital now plays in delivering public services. In some respects, this has been a catalyst for change.</p> <p>We are planning a series of reports in this area building on our earlier work looking at digital across government (Digital principles, Enabling digital government, Digital in Local Government (due to publish January 2021) as well as reports on individual ICT/digital programmes.</p>

	<p>The Scottish Government started a consultation on its refreshed Digital Strategy (a joint strategy with COSLA) in October 2020. And it is also refreshing its Health and Care digital strategy. We will monitor progress with this consultation and consider the actions set out in the finalised strategy alongside progress with other sector digital strategies. This will help determine the type and timing of our work in this area.</p> <p>Potential areas we are considering for future audit work include:</p> <ul style="list-style-type: none"> • progress against digital strategies • digital exclusion and connectivity (see digital exclusion in section above) • data transformation and data ethics. This could include the how data is being used, and the use of Artificial Intelligence and algorithms • innovation and collaboration - how effectively public bodies are innovating and collaborating.
<p>Workforce planning</p>	<p>We have highlighted the need for improved workforce planning across all sectors for several years. It consistently features as an issue in Local Government Overview, NHS Overview and Scottish Government/Scotland Act reports.</p> <p>This is even more critical as part of Covid-19 recovery planning. There will be a need to reassess workforce plans, factoring in retraining and redeployment as the new ways of working developed during the pandemic become embedded. Different skills may now be needed sooner than planned with the roll out of new technology and processes. Productivity levels may also have been impacted. We will continue to monitor and comment on this area as a key theme across all our audit work (including financial audit). Key areas of future focus for this work are likely to include:</p> <ul style="list-style-type: none"> • expansion of publicly funded early learning and childcare. • education work (e.g. teacher workforce planning) • NHS and social care related audit work • an AGS audit on skills planning and investment.

Theme five: Governance and accountability

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

The pandemic highlights the importance of many long-standing issues of audit interest such as good governance, openness and transparency, financial controls and management. These will continue to lie at the heart of our core annual audit work in public bodies across the public sector.

Effective decision-making and scrutiny remain a central area of interest across our annual audit work, Best Value auditing, and overview reporting. Our local and national audit work will also consider how governance and accountability arrangements are responding to the new and emerging risks and issues arising from the impact of the Covid-19 global pandemic.

Within this theme the Accounts Commission prioritised effective decision-making and scrutiny. Members raised related themes including transparency, public engagement, performance management and public reporting, tracking funding and fraud, and local empowerment.

Fraud risks

Covid-19 has brought significant challenges across the public sector as bodies seek to continue to deliver services for individuals, communities and businesses in an extremely difficult time. This includes additional fraud risks that will be important for public bodies to identify and manage.

We work with local auditors and other partners to deliver a range of counter-fraud activity, including:

- reporting on significant fraud and irregularity identified by auditors during their annual audit work in Scotland's public bodies
- directing audit work to cover specific fraud-related issues (e.g. procurement fraud), with outcomes and improvement actions highlighted in annual audit reports
- coordinating and reporting on the [National Fraud Initiative](#) in Scotland
- producing briefings to help identify and prevent fraud (e.g. [Covid-19 – Emerging fraud risks](#) and [Procurement in the public sector – how red flags can help us stop and consider fraud](#))
- liaising with other organisations such as Police Scotland and NHS Scotland Counter Fraud Services
- speaking at conferences and similar events about our counter-fraud activity. Our counter-fraud work is highlighted in the [counter-fraud hub](#) on our website.

Appointed auditors will be asked to focus on fraud risks due to Covid-19 as part of their 2020/21 and 2021/22 audits of public bodies. We will also continue to look for opportunities to raise awareness and report in a variety of ways on fraud across the Scottish public sector.

Effective scrutiny

The pace and scale of change required in response to the pandemic has been unprecedented. Public-sector staff have been working under extreme pressure and have had to respond to rapidly

	<p>unfolding events. Many public bodies have had to make changes in governance arrangements and some may have suspended or relaxed some internal controls.</p> <p>This may mean there has been less scrutiny and due diligence. For example, urgent procurement decisions and changes to delegated authority arrangements may have impacted on the level of scrutiny.</p> <p>There may also have been changes in risk appetite during the pandemic to allow for services to operate effectively and respond to issues in a timely manner. Some changes may be significant therefore officers and audit and risk committee members need to consider how sustainable these changes will be in the longer term.</p> <p>We have already issued early guidance to audit and risk committees on how to safeguard good governance and exercise effective scrutiny during the Covid-19 pandemic. We will continue to issue further guidance in this area as the longer-term governance implications of Covid-19 become clearer.</p> <p>All appointed auditors will report routinely on the effectiveness of the governance arrangements within the public bodies they audit. Any significant governance concerns arising from their work will be reported to the Public Audit and Post-legislative Scrutiny Committee of the Scottish Parliament by the AGS through his Section 22 reporting powers. Any governance concerns in local government bodies will be reported to the Accounts Commission by the Controller of Audit.</p>
<p>Collaborative leadership</p>	<p>The importance of effective collaborative leadership is well understood across the Scottish public sector. The Christie Commission report stressed the need for shared leadership and collaboration to improve public services and deliver better outcomes. Partnership and collaboration are fundamental building blocks of the ‘Scottish approach’ to public service reform.</p> <p>The response to Covid-19 has shone a spotlight on some of the strengths of the Scottish public sector, including its ability to adapt and change quickly when necessary and the way partners can pull together when presented with an urgent shared challenge. But this needs to be seen alongside longstanding concerns about the extent to which the types of collaborative and shared leadership required to deliver long-term transformational change are yet consistently being demonstrated across Scotland’s public services.</p> <p>The leadership challenges created by the Covid-19 pandemic are of a scale never experienced in the lifetimes of most people working in the Scottish public sector. We will ensure that our audit work captures and comments on the leadership successes moving forward and helps lessons to be learned</p>

	<p>from the challenges and problems that will inevitably be experienced as Scotland moves from response to recovery and renewal.</p>
<p>Following the pandemic pound</p>	<p>Given the national and local dimension to the allocation of Covid-19 funding to support businesses, we propose the AGS and the Accounts Commission adopt a coordinated approach to following the pandemic pound.</p> <p>This will allow us to track expenditure through central and local government bodies and enable us to form a view on how effectively the overall system of Covid-19 related business support and funding for communities and third sector groups has operated in Scotland.</p> <p>Local auditor work across a range of national and local bodies will be central to this with local annual audit reports (AARs) providing a key evidence base and source of assurance about how public money is being spent in response to the pandemic.</p> <p>We will report the findings of this work in a range of different ways:</p> <ul style="list-style-type: none"> • reporting on Scottish Government Covid-19 spending decisions through the annual Section 22 report to PAPLS on the Scottish Government’s Consolidated Accounts • thematically in NHS and local government overview reports • through other outputs such as briefing papers. <p>We will highlight significant issues arising from Scottish Government, central government bodies or local government responses to the pandemic.</p>