

Covid-19

How public audit in Scotland is responding



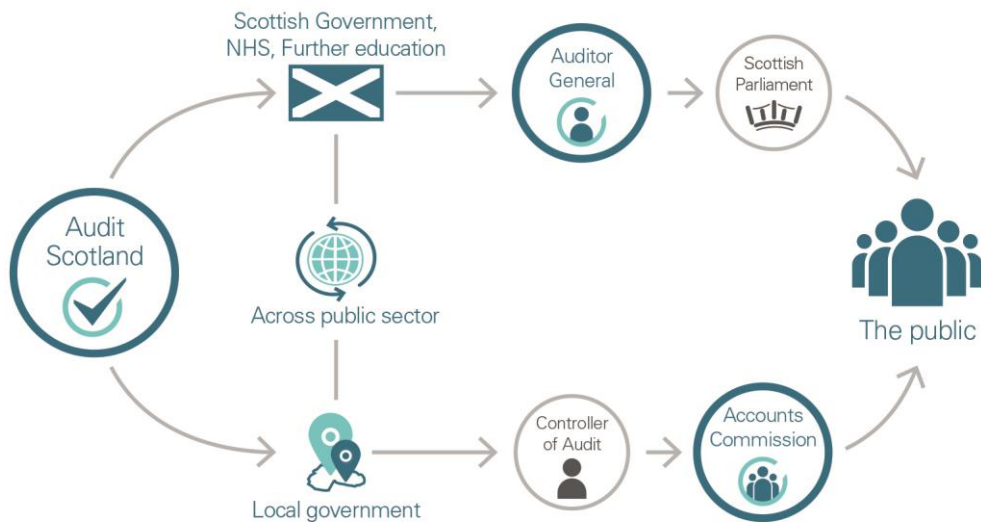
 AUDIT SCOTLAND

Prepared by Audit Scotland
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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.

Contents

Introduction	4
Covid-19 and public audit	4
How public bodies are responding to Covid-19	4
The annual audit	5
Performance audits, overviews and briefing papers	6
Potential themes and areas of interest for future audit work	7

Introduction

1. This briefing paper considers the impact of Covid-19 on the work of public audit in Scotland and provides information on our strategy and considerations. It updates [Covid-19: What it means for public audit](#), published May 2020, with more detail about the scope, timing and areas of focus of our audit work.

Covid-19 and public audit

2. Covid-19 has had and will continue to have a major impact on all our lives. The world has already changed in response to the global pandemic in ways that none of us would have thought possible even six months ago. Public audit has an important contribution to the recovery and renewal of public services. On behalf of the Auditor General for Scotland and the Accounts Commission, Audit Scotland is therefore planning a substantial programme of work on the Scottish public sector's response to Covid-19.

3. High-quality, independent and evidence-based audit supports accountability and learning about how the government and public bodies have responded to the crisis. Central to this will be providing transparency, supporting parliamentary scrutiny by the Public Audit and Post-legislative Scrutiny Committee and other relevant subject committees, and sharing good practice and innovation.

4. The response to Covid-19 has demonstrated some of the Scottish public sector's key attributes, such as agility and partnerships. However, not everything will have gone well and there will be important lessons for the future.

5. The pandemic also highlights the importance of many of the long-standing issues that we have highlighted in the past, such as good governance, openness and transparency, financial controls and management, and effective long-term planning to deliver better outcomes for individuals and communities. These issues are of even greater importance now than ever, given the pressures and challenges facing Scotland's public services.

6. The dynamic and unfolding nature of the Covid-19 pandemic means that Audit Scotland will need to remain flexible and agile. This means that our work programme may continue to change at short notice as new issues emerge, or current risks reduce or increase in significance.

How public bodies are responding to Covid-19

7. 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.

8. A wide range of public bodies have focused their operating models to respond to the lockdown and continued to deliver the key public services that people depend on. Changes and developments previously considered impossible or laborious have been made in a matter of weeks.

9. Not everything will have gone well and there will be important lessons for the future. Some of those lessons will need to be learnt quickly if there is a second wave of infection, but there will also be longer-term lessons.

10. We know from our engagement with audited bodies that the pandemic is creating a range of risks and challenges, including:

- the economic impact, which will have long-term consequences for Scotland's public finances
- the ability of public services to adapt in the longer term to Covid-19
- the impact of increased costs and reduced income on public sector organisations' ability to manage their finances
- the impact of Covid-19 on different groups in society who have been disproportionately affected by the pandemic.

The annual audit

Annual audit deadlines

11. New extended audit timetables have now been agreed for NHS and local government bodies. A three-month extension applies for NHS audited accounts, which are to be published by 30 September. A two-month extension applies to local government, with accounts expected to be published by 30 November.

12. The deadline for the laying of central government bodies' accounts in the Scottish Parliament is unchanged, at the end of December. College accounts must be signed by 31 December and laid by 30 April.

13. The Scottish Government Consolidated Accounts and any Section 22 reporting are likely to be concluded and reported later than in previous years.

Accounts and wider performance reporting requirements

14. The format and content of financial statements remain unchanged this year. For health and central government bodies they must still be prepared in line with the requirements in the 2019/20 Government Financial Reporting Manual (FReM). Local government accounts must be prepared in accordance with the Code of Practice on Local Authority Accounting for 2019/20.

15. Minimum requirements have been introduced to the performance reporting and management commentary across the public sector this year because of Covid-19.

16. Central government bodies can omit the performance analysis section from the performance report in annual reports. Where relevant performance information has already been published elsewhere, bodies are encouraged to refer to those sources.

17. Local government bodies have been given greater flexibility and reduced reporting requirements for the management commentary in annual reports, which this year will focus on headline financial and other risks.

18. Full annual governance statements are still required this year across all sectors. This is important because they are essential accountability reports which, if anything, are even more important this year. Many public bodies have had to quickly change how they deliver services in response to Covid-19 and the lockdown. The widespread use of virtual working and the rapid introduction of new programmes and services to support businesses and individuals, create a range of potential financial risks and challenges to internal controls. As most of the expenditure associated with responding to the Covid-19 crisis only started in April, these costs will be considered as part of the audits of the 2020/21 accounts.

Timing of audit work and reporting

19. Auditors are working closely with audited bodies to agree arrangements to enable audit work to take place in line with the flexibility in the new timetables. Some bodies aim to meet the original deadlines; auditors will do their best to accommodate this, but they are managing competing priorities and pressures on resources and it will not always be possible.

20. We cannot guarantee that all audit deadlines will be met this year. Neither we nor audited bodies yet know the full impact of conducting an audit remotely. The early indications are that it takes longer, and it is not yet clear whether we will be able to complete all aspects of an audit remotely. We are also likely to face a range of complex technical issues and decisions, and more modified audit opinions are possible this year. The health and wellbeing of our staff remains our priority and, like all organisations, many of our colleagues are juggling domestic and caring responsibilities.

21. We continue to be pragmatic, flexible and consistent. We will apply our audit judgements fairly and consistently and, while reporting deadlines can be adjusted, the quality of the audit must be maintained. Where we need to issue a modified opinion we will do so, acknowledging and explaining the circumstances that make it necessary.

22. The Auditor General and the Controller of Audit will continue to prepare statutory reports to highlight areas of significant public interest arising from auditors' reports in line with the new audit reporting timetables.

Intention to extend audit appointments

23. Covid-19 will have implications beyond the immediate challenge of this year's final accounts. As this year's audits will be reported later than normal, planning for and potentially reporting next year's annual audit work will also be affected.

24. The Auditor General for Scotland and Accounts Commission have agreed that they intend to extend the current five-year audit appointments for a further year. This decision reflects the need for stability and continuity given the longer-term impact of Covid-19 on audited bodies and the difficulty of running the necessary procurement exercise during the pandemic. Audit Scotland's independent Audit Quality and Appointments team is engaging with appointed auditors over the practical consequences of that decision.

Performance audits, overviews and briefing papers

25. We are currently reviewing our work programme to reflect the changing context of Covid-19 and its implications for public finances, public services and outcomes for citizens. We are committed to a series of Covid-19 related audits that currently includes:

- An early overview of the Scottish Government's financial response to the pandemic, to be published this summer. This will set out anticipated implications for public spending and funding of the Covid-19 response, and give our initial assessment of the Covid-19 related risks to Scottish public finances and the performance of public services. It will also outline our approach to auditing the Scottish Government's response.
- A short paper on fraud risks associated with Covid-19 that public bodies should be alert to. We plan to publish this in August as a complement to our report on the National Fraud Initiative in July.

- The NHS overview report, which we intend to publish early in 2021, will consider the NHS' response to Covid-19. Topics likely to feature include: the financial impact of Covid-19; governance and risk management arrangements; the availability of essential equipment; and innovative practices that NHS boards and partners have adopted that might help transform health and social care for the future.
- The local government overview report in spring 2021 will report on how Scotland's 32 councils responded to Covid-19 and how services are changing and adapting.
- The digital progress in local government performance audit, due in late 2020, will consider how digital technology has enabled councils to respond to Covid-19; emerging good practices; and potential longer-term implications for councils and how they operate.
- The education outcomes audit, which is currently paused, will be refocused during 2021 to look at the impact on Scotland's education system.

26. In undertaking this work we will look at opportunities to share learning and good practice, especially where public bodies have made major changes at speed.

27. Given the dynamic nature of Covid-19 and the significant uncertainties about its long-term impact, we will keep this work under review and adapt our programme to reflect changing circumstances.

Potential themes and areas of interest for future audit work

28. It will be crucial to look at how public money is used to rebuild the economy and repair the damage to communities over the longer term. Public audit has a key role in reporting on how Covid-19 has affected the quality and effectiveness of public services. The over-arching audit question will be 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.

29. We are focusing on how we can best use our unique national and local audit perspective to contribute to learning across the whole public sector. We want to ensure that the intelligence we gather through our audit work and our wider engagement with public bodies produces useful insights into the innovative ways Scotland's public services responded to Covid-19. This could contribute to wider lessons learned, and inform thinking as Scotland moves towards recovery and renewal.

30. We will use a range of approaches to reporting our Covid-19 work, including thematic briefing papers, round table discussions and blogs. We will engage and coordinate our activity with Scotland's public sector improvement agencies to maximise the impact of our work. We are also liaising with the National Audit Office, Audit Wales and the Northern Ireland Audit Office.

31. The pandemic highlights the importance of many long-standing issues we have previously reported on, such as good governance, openness and transparency, financial controls and management, and effective long-term planning to deliver better outcomes for individuals and communities. As we consider the impact of Covid-19 on our work programme, we also remain committed to maintaining a strong focus on other important strategic challenges facing the public sector such as climate change and the need to reshape Scotland's health and social care system.

32. We are at the early stages of reviewing our future work programme but key topics under consideration include:

- **The economic and fiscal consequences of Covid-19** – the impact on the Scottish economy, public finances and public services is likely to be severe and long term. We expect these areas, including support for the economy and employment, to feature in our work programme for years to come.
- **Collaborative leadership and joint working** – how public bodies work together to respond to the pandemic, and what new leadership challenges will be required as we move from response into recovery.
- **Financial sustainability and delivery of strategic objectives** – the impact of increased costs and reduced income will make it difficult for some public bodies to manage their finances. Some services and sectors will struggle to deliver on their previous strategic objectives because of the impact of Covid-19 on the economy and society. We will support transparent reporting to enable effective scrutiny of decisions and their future implications.
- **Public service adaptation in response to Covid-19** – physical distancing has profoundly affected the way we live and will do until a vaccine is available. Audit work on public sector adaptation presents an opportunity to highlight evolving good practices in service change.
- **The equality impact of Covid-19** – low earners, younger people, women, the BAME community, people with a disability, those living in more deprived areas, and lone parents are among those most affected by Covid-19. This will be a focus of our work, particularly on how Scotland uses its new social security powers.
- **Community engagement** – we will look at how citizens and communities are being involved and engaged in the debate about difficult decisions that need to be made about public services and how they might change.
- **Cyber security, digital resilience and data** – technology and digital infrastructure have enabled public services to respond to the pandemic, but this raises their exposure to cyber-attacks, as well as issues around data management, protection and privacy.
- **Governance and accountability (including fraud, error and litigation)** – public bodies have made significant changes to their governance arrangements in response to the pandemic. The design of new government support schemes, and reduced capacity to monitor existing schemes, exposes the public sector to an increased risk of fraud and error. We will review the effectiveness of those arrangements as part of our core audit work.

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