

**MEETING: 7 DECEMBER 2017****REPORT BY: SECRETARY TO THE COMMISSION****ROLLING WORK PROGRAMME: ANNUAL REFRESH**

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**Introduction**

1. The purpose of this report is to introduce Audit Scotland's proposals for the annual refresh of the Commission's rolling work programme.

**Background**

2. The Commission's Strategy sets out that the Commission will maintain a five-year rolling programme of work. This programme covers all aspects of the work done on the Commission's behalf by Audit Scotland beyond the financial audit, and thus covers overview reporting, shared risk assessment and scrutiny planning, Best Value Assurance Reports, performance audits, statutory reporting, the How Councils Work series, impact reporting, and outputs from programme development activity. The programme is published jointly with the Auditor General. The programme is refreshed on an annual basis, setting out detailed work for the first two years and an indication of likely areas of work for the subsequent three years.
3. Last year, at its meeting on 8 December 2016, the Commission considered Audit Scotland's proposals for the annual refresh of the Commission's rolling work programme. It approved a draft work programme and agreed arrangements for consultation with stakeholders on the draft work programme.
4. The stakeholder consultation yielded responses from 23 councils, COSLA, SOLACE, and two trade unions (GMB and Unison). The Commission considered the outcome of the stakeholder consultation at its meeting on 9 March 2017 and agreed a number of responses to submissions made in the consultation, which were then shared with consultees and taken forward in programme development work (these are indicated in the table in paragraph 13 below). The Commission approved the work programme, subject to liaison with the Auditor General for Scotland in relation to any joint audit work. The work programme was subsequently published and is set out in Appendix 1.

**Commission Strategy**

5. The Commission's Strategy states that its work programme will reflect 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 financial 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 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.
6. The Commission's Strategy also sets out a set of strategic audit priorities on which it will use its approach to auditing Best Value to assess how councils are progressing, thus:
- Having clear priorities and better long-term planning.
  - Recognising that incremental savings are not enough, and thus evaluating options for more significant changes in how they deliver services.
  - Ensuring their people – members and officers – have the right knowledge, skills and support to design, develop and deliver effective services in the future.
  - Involving citizens more in making decisions about local services and empowering local communities to identify and help deliver services they need.
  - Reporting their performance in a way that enhances accountability to citizens and communities.
7. While these strategic audit priorities feature mainly in the new integrated approach to the financial audit and auditing Best Value, Audit Scotland is also mindful of these in its programme development work on behalf of the Commission.
8. The Commission reviews its Strategy at its annual strategy seminar (which will next take place in March 2018). Part of this review is to consider if the features that it seeks in its work programme (set out in paragraph 5 above) need to be revised. Another part of the review is to focus on the strategic audit priorities (set out in paragraph 6 above) and consider if these are to be refreshed and taken forward in financial audit and Best Value work.

## **Proposals**

9. Audit Scotland is proposing a refresh of the work programme as set out in Appendix 2.
10. The proposals have been subject to initial high level discussion between Audit Scotland officials, the Commission Deputy Chair and the Auditor General.
11. The Commission has in recent years encouraged different features in the direction and development of its work programme. The programme reflects flexibility and responsiveness, thus including significant amounts of work done jointly with the Auditor General. It has an increasingly wide range of outputs beyond performance audits arising from programme development work, such as briefings and round table events. Audits are of varying size depending on the policy area covered. Audit outputs

are also increasingly varied with different ways of presenting messages from reports. Promotion of audit work is also becoming increasingly creative and varied.

### Commission areas of interest

12. As the attached paper identifies, Audit Scotland addresses the Commission's strategy – including the features and strategic audit priorities in paragraphs 5 and 6 above – in its refresh proposals. The proposals also address areas of interest that the Commission has identified in its work since publishing the current work programme.
13. Both of the Commission's committees review its external environment with a view to ensuring that its work programme appropriately reflects the risks in this environment. The Performance Audit Committee monitors the overall progress of the work programme with specific focus on performance audits. The Financial Audit and Assurance Committee monitors issues arising in individual councils through the financial audit. Accordingly, throughout the year both committees (and indeed the Commission itself) have identified issues to be addressed across the work programme: the PA Committee mainly around performance audit and related work; the FAA Committee mainly around issues affecting the Commission's strategic audit priorities being taken forward in the integrated approach to financial audit and auditing Best Value. These are summarised in the table below:

Issue (and when agreed)	Audit Scotland proposal
<p>Income generation in councils and issues around commercial activities of councils in identifying new income streams</p> <p><b>Strategy seminar, March 2017 (also identified in stakeholder consultation)</b></p>	<p>To be considered in scoping for the proposed performance audits on City Deals in 2018/19 and 2021/22.</p>
<p>Audit coverage of integrated children's services to remain under consideration in programme development activity, and be subject to discussion with scrutiny partners through the Strategic Scrutiny Group</p> <p><b>Commission meeting, March 2017 (also identified in stakeholder consultation)</b></p>	<p>The PA Committee considered in April 2017 a policy briefing on pathways to positive destinations for looked after children and children with additional support needs. The Committee agreed inter alia that future work in this regard should recognise young people with additional support needs and looked after young people as separate groups.</p> <p>There is an ongoing audit on children and young people's mental health.</p> <p>Propose a joint audit in 2021/22 of outcomes for children with additional support needs, following the whole journey from early learning and childcare through to school/HE/FE into employment.</p> <p>Propose a joint audit in 2022/23 on national and local progress towards the Child Poverty Bill 2017 improvement goals.</p>
<p>Services such as environmental health, trading standards, planning and libraries should continue to be monitored through programme development activity and in the new approach to auditing Best Value</p> <p><b>Commission meeting, March 2017 (also identified in stakeholder consultation)</b></p>	<p>Continue to monitor in outputs from annual audit and Best Value auditing.</p> <p>Continue to monitor through Health, Care and Communities cluster.</p>

Issue (and when agreed)	Audit Scotland proposal
Pupil equity fund <b>Commission meeting, March 2017 (also identified in stakeholder consultation)</b>	Taken forward in work programme development and policy cluster. Also officer-led 'round table' initiative with stakeholders in Autumn 2017.
A continuing interest in matters around young people with additional support needs <b>PA Committee, April 2017</b>	See above.
Continue to closely monitor the implications for the work programme of policy developments in relation to climate change <b>PA Committee, April 2017</b>	Propose to defer to 2020/21 the joint audit on flood risk management, which was previously scheduled for 2019/20. This will help smooth capacity across the work programme and the proposed change of timing would not undermine the value of doing work in this area, given the long-term nature of flood risk management. Continue to monitor through Public finances, Investment, Economic Development cluster.
Agreed that Brexit would be an important factor worthy of monitoring in relation to workforce planning matters <b>PA Committee, June 2017</b>	Propose a briefing paper in 2018/19 for the Accounts Commission and AGS on the potential impact on Brexit for Scotland's public services, drawing on PIE cluster activity and the work of Audit Scotland's New financial powers and constitutional change audit programme. Propose a joint performance audit in 2020/21 on public sector workforce planning for skills post Brexit. Propose a joint performance audit in 2022/23 on replacing structural funds (post-Brexit).
An interest in economic development issues <b>PA Committee, June 2017</b>	Proposing a performance audit in this regard in 2019/20, although also featuring in other performance audits and would have increasing prominence in Auditor General audit work.
Robustness of option appraisal to continue to be considered for future performance audit or related work <b>FAA Committee, February 2017</b>	Will continue to feature in the integrated approach to auditing Best Value.
An output around local authority emergency and resilience planning arrangements (depending on how this would fit with other national policy initiatives in this regard) <b>Mid-year strategy seminar, September 2017</b>	Proposing a briefing paper in 2018/19 for the Accounts Commission and AGS on UK and Scottish responses to the Grenfell Tower tragedy (to include any local authority emergency planning issues).
Addiction issues <b>Mid-year strategy seminar, September 2017</b>	Propose a briefing paper in 2018/19 for the Accounts Commission and AGS on public health (to cover the new public health agency and its role in addressing complex public health issues such as inequality of outcomes, the impact of complex social disadvantage on service use e.g. addictions).
Higher profile outputs around benefits auditing <b>Mid-year strategy seminar, September 2017</b>	To be taken forward in the benefits administration audit (briefing paper to Commission in early 2018).

Issue (and when agreed)	Audit Scotland proposal
Medium to long-term thinking around rural services. <b>Mid-year strategy seminar, September 2017</b>	Propose a briefing paper in 2018/19 for the Accounts Commission and AGS on how rural issues are being considered by Audit Scotland as part of programme development activity and in local and national audit work.
A two-stage approach be taken to the proposed performance audit on community justice, with an initial report publishing in early autumn 2018 and a second stage publishing in 2021/22, subject to considering the audit in the context of the wider work programme. <b>PA Committee, November 2017</b>	This is reflected in the attached proposals.

14. It is important for the Commission to assure itself at today's meeting, in agreeing proposals for the refresh of the work programme, that these and indeed any other policy areas of interest are covered appropriately either by performance audits, other outputs from programme development work, or by ongoing monitoring through policy cluster work.

### How councils work

15. The attached proposals assume that one *How councils work* report will be produced in 2018/19. It is recommended that the Commission considers its overall approach to *How councils work* reporting in early 2018 once it has had the opportunity to reflect on key themes arising from the first tranche of Best Value Assurance Reports (the last of which - Clackmannanshire Council - will be reported to the Commission in January 2018) and its subsequent consideration in February of the Controller of Audit's Annual Assurance and Risks Report. Meantime, the programme will contain a provision for such a report if the Commission thinks it is appropriate.

### Equalities considerations

16. In line with the Commission's equalities outcomes commitments, Audit Scotland undertook an equality impact assessment (EIA) on the work programme refresh process last year, which was reported to the Commission. Audit Scotland's Equality and Diversity Steering Group will consider the need any further EIA work in relation to the process. It is also intended to consult in early 2018 with Audit Scotland's Equalities and Human Rights Advisory Group, consisting of representatives of a wide range of communities, on the refresh proposals. This is discussed in paragraphs 40 to 42 of Appendix 2.

### Consultation

17. The Commission is obliged by statute to consult with stakeholders before undertaking any of its performance audit work (specifically 'such associations of local authorities or other bodies whose accounts are required to be audited' and '(appropriate) associations of employees').<sup>1</sup> It is therefore proposed that the Commission consults immediately on the draft work programme with COSLA, the Scottish Local Government Partnership, SOLACE and trade unions Unison, Unite and GMB (these are the three

<sup>1</sup> 1973 Local Government (Scotland) Act, section 97A(3).

members of the Scottish Joint Council, which represents local government employees).

18. I will report back to the Commission on the outcome of the consultation.

### **Conclusion**

19. The Commission is invited to:

- Approve the attached proposed draft work programme including detailed proposals for 2018/19 and 2019/20, as a basis for consultation with stakeholders, subject to discussion between the Chair and Auditor General for Scotland.
- Agree, in noting that the proposed draft work programme contain a commitment to a *How councils work* report in 2018/19, that further consideration be given to this matter following consideration of the first six Best Value Assurance Reports and the Controller of Audit's Annual Assurance and Risks Report.
- Note that the activities around the diversity and equality implications of the work programme.
- Approve the proposed consultation arrangements.
- Note that I will report back on the outcome of the consultation.

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**28 November 2017**

## **APPENDIX 1:**

### **Accounts Commission work programme: 2017/18 and 2018/19**

	<b>2017/18</b>	<b>2018/19</b>
<b>Best Value</b>	<ul style="list-style-type: none"> <li>• Inverclyde</li> <li>• Renfrewshire</li> <li>• East Renfrewshire</li> <li>• West Lothian</li> <li>• Orkney</li> <li>• Clackmannanshire</li> </ul>	<ul style="list-style-type: none"> <li>• Glasgow</li> <li>• West Dunbartonshire</li> <li>• East Ayrshire</li> <li>• Fife</li> <li>• Dumfries and Galloway</li> <li>• East Lothian</li> </ul>
<b>Shared risk assessment</b>	National scrutiny plan and 32 Local Scrutiny Plans (Commission)	National scrutiny plan and 32 Local Scrutiny Plans (Commission)
<b>Performance Audit *</b>	<ul style="list-style-type: none"> <li>• <i>Early learning and childcare</i></li> <li>• <i>Equal pay</i></li> <li>• <i>Self Directed Support 2</i></li> <li>• Arm's-Length External Organisations (ALEOs)</li> <li>• * Children's mental health</li> <li>• * City Deals</li> <li>• * Health and social care integration pt 2</li> </ul>	<ul style="list-style-type: none"> <li>• Community justice</li> <li>• * Employability – transfer of new powers</li> <li>• Housing</li> <li>• * Reforming public services through better asset management</li> <li>• * Value-for-money of NPD projects (including PFI/PPP)</li> </ul>
<b>Overview reports</b>	<ul style="list-style-type: none"> <li>• Local government financial overview</li> <li>• Local government overview</li> </ul>	<ul style="list-style-type: none"> <li>• Local government financial overview</li> <li>• Local government overview</li> </ul>
<b>Statutory reports</b>	As required	As required
<b>How councils work</b>	It is proposed to use intelligence from the new BV audit approach to inform future <i>How councils work</i> activity.	To be confirmed, based on intelligence from new Best Value auditing approach.
<b>Impact reports</b>	<ul style="list-style-type: none"> <li>• CAP futures</li> <li>• Roads Maintenance</li> <li>• Social work in Scotland</li> </ul>	<ul style="list-style-type: none"> <li>• Equal pay</li> <li>• Early learning and childcare</li> <li>• City Deals</li> <li>• Children's mental health</li> </ul>
<b>Potential alternative outputs (illustrative)</b>	<ul style="list-style-type: none"> <li>• Local government support for public transport</li> <li>• Internal audit and scrutiny</li> <li>• Indebtedness and borrowing</li> <li>• * Youth justice update</li> <li>• * Climate change and resilience planning</li> <li>• * National Performance Framework</li> <li>• * Public sector pensions in Scotland (briefing paper)</li> <li>• * Educational attainment (round table outputs)</li> <li>• * Workforce planning (analysis of auditor returns)</li> </ul>	<ul style="list-style-type: none"> <li>• Public sector pensions – LGPS</li> <li>• Community empowerment: <ul style="list-style-type: none"> <li>○ participation requests</li> <li>○ participation in public decision making</li> <li>○ participatory budgeting</li> <li>○ asset transfer</li> <li>○ service integration and prevention</li> </ul> </li> <li>• * Capital Investment – financing commitments</li> <li>• * EU funding analysis – spending and commitments</li> <li>• * NFP support to Finance Committee</li> <li>• * Key issues for audit committees</li> <li>• * Governance – analysis of auditor returns</li> <li>• * Cyber security – key issues</li> </ul>

#### **Key:**

\* joint audit or work with the Auditor General  
audits in italics are already in progress

## **Five-year rolling work programme, 2017/18 to 2020/21**

The table below summarises proposals for audit work from 2017/18 to 2021/22. Proposals for audit work in 2018/19 – 2020 relate to areas of reform, risk or public interest. These will include themes of work involving a series of reports, for example proposals for audits focused on mental health services and housing. We will continue to monitor developments in these areas as we continue to develop the programme on a rolling basis.

2017/18	2017/18	2018/19	2019/20	2020/21	2021/22
Best Value	See previous page		<ul style="list-style-type: none"> <li>• 6 or 7 BVARs (to be confirmed following 18/19 SRA process)</li> </ul>	<ul style="list-style-type: none"> <li>• 6 or 7 BVARs (to be confirmed following 19/20 SRA process)</li> </ul>	<ul style="list-style-type: none"> <li>• 6 or 7 BVARs (to be confirmed following 20/21 SRA process)</li> </ul>
How councils work			<ul style="list-style-type: none"> <li>• To be confirmed</li> </ul>	<ul style="list-style-type: none"> <li>• To be confirmed</li> </ul>	<ul style="list-style-type: none"> <li>• To be confirmed</li> </ul>
Overview reporting			<ul style="list-style-type: none"> <li>• Local government financial overview</li> <li>• Local government overview</li> </ul>	<ul style="list-style-type: none"> <li>• Local government financial overview</li> <li>• Local government overview</li> </ul>	<ul style="list-style-type: none"> <li>• Local government financial overview</li> <li>• Local government overview</li> </ul>
Performance audits			<ul style="list-style-type: none"> <li>• Supporting economic growth – role of local authorities</li> <li>• Early learning and childcare (2)</li> <li>• Flood risk management</li> <li>• School educational attainment</li> <li>• Waste management</li> <li>• Digital progress in local government</li> </ul>	<ul style="list-style-type: none"> <li>• Innovative Financing - City Deals (2)</li> <li>• Supporting economic growth: impact of enterprise and skills review</li> <li>• Housing</li> <li>• Youth justice</li> <li>• Health &amp; social care integration 3</li> <li>• Improving outcomes for looked after children</li> <li>• Impact of investment in the school estate</li> <li>• Workforce planning for skills post Brexit</li> <li>• Digital services (learning or justice)</li> <li>• Commonwealth Games legacy – six years on</li> </ul>	<ul style="list-style-type: none"> <li>• Social security</li> <li>• Early learning and childcare (3)</li> <li>• Criminal justice</li> <li>• Mental health 3</li> </ul>
Impact reports *			<ul style="list-style-type: none"> <li>• ALEOs</li> <li>• Community Justice</li> <li>• Employability – transfer of new powers</li> <li>• VFM of NPD projects</li> <li>• Reforming public services through better Asset Management</li> <li>• Housing</li> </ul>	<ul style="list-style-type: none"> <li>• Community empowerment</li> <li>• Supporting economic growth – role of local authorities</li> <li>• Flood risk management</li> <li>• School education attainments</li> </ul>	<ul style="list-style-type: none"> <li>• Innovative Financing – City Deals (2)</li> <li>• Housing</li> <li>• Youth justice</li> <li>• Improving outcomes for looked after children</li> <li>• Impact of investment in the school estate</li> </ul>

\* Note: the sequencing of impact report publication may be subject to change in response to any significant policy developments that impact on audit recommendations.

**APPENDIX 2: WORK PROGRAMME REFRESH PROPOSALS**

*(see attached Audit Scotland paper)*