

County Buildings  
Wellington Square  
AYR KA7 1DR  
Telephone No. 01292 612169



28 September 2022

**To: Councillors Henderson (Chair), Bell, Cullen, Kilpatrick, McGinley, Ramsay, Scott and Weir.**

**All other Elected Members for information only**

Dear Councillors

## **AUDIT AND GOVERNANCE PANEL**

You are requested to participate in the above Panel to be held **on Wednesday 5 October 2022 at 10.00 a.m.** for the purpose of considering the undernoted business.

This meeting will be held on a hybrid basis, will be live-streamed and available to view at <https://south-ayrshire.public-i.tv/>

**Yours sincerely**

**CATRIONA CAVES**  
Head of Legal and Regulatory Services

## **B U S I N E S S**

1. Declarations of Interest.
2. Call-ins from Cabinet.
3. Minutes of previous meeting of 7 September 2022 (copy herewith).
4. Action Log and Work Programme (copy herewith).

5./

### **External Audit Reports**

5. Audit Scotland – Fraud and Irregularity 2021/22 – Submit report by Head of Finance, ICT and Procurement (copy herewith).
6. Audit Scotland : Scotland’s Financial Response to Covid-19 – Submit report by Head of Finance, ICT and Procurement (copy herewith).

### **Other Governance Reports**

7. Accounts Commission Annual Report – 2021/22 – Submit report by Head of Finance, ICT and Procurement (copy herewith).
8. Audit Report – Submit report by Chief Executive (copy herewith).

<p>For more information on any of the items on this agenda, please telephone Janice McClure, Committee Services on 01292 612169, Wellington Square, Ayr or e-mail: <a href="mailto:committeeservices@south-ayrshire.gov.uk">committeeservices@south-ayrshire.gov.uk</a> <a href="http://www.south-ayrshire.gov.uk">www.south-ayrshire.gov.uk</a></p>
--

### **Webcasting**

Please note: this meeting may be filmed for live and subsequent broadcast via the Council’s internet site. At the start of the meeting, the Chair will confirm if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act 2018. Data collected during this webcast will be retained in accordance with the Council’s published policy, including, but not limited to, for the purpose of keeping historical records and making those records available via the Council’s internet site.

Generally, the press and public will not be filmed. However, by entering the Council Meeting, you are consenting to being filmed and consenting to the use and storage of those images and sound recordings and any information pertaining to you contained in them for webcasting or training purposes and for the purpose of keeping historical records and making those records available to the public. In making use of your information, the Council is processing data which is necessary for the performance of a task carried out in the public interest.

If you have any queries regarding this and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact [Committee.Services@south-ayrshire.gov.uk](mailto:Committee.Services@south-ayrshire.gov.uk)

### **Copyright**

All webcast footage is the copyright of South Ayrshire Council. You are therefore not permitted to download footage nor upload it to another website nor take still photographs from this footage and distribute it without the written permission of South Ayrshire Council. Please be aware that video sharing websites require you to have the permission of the copyright owner in order to upload videos to their site.

**AUDIT AND GOVERNANCE PANEL.**

Minutes of a hybrid webcast meeting on 7 September 2022 at 10.00 a.m.

Present in County Hall: Councillors Peter Henderson (Chair), Chris Cullen, Brian McGinley, Cameron Ramsay, Gavin Scott and George Weir.

Present

Remotely: Councillors Kenneth Bell and Mary Kilpatrick.

Attending in County Hall: E. Howat, Chief Executive; M. Newall, Assistant Director – People; C. Caves, Head of Legal, HR and Regulatory Services; W. Carlaw, Service Lead – Democratic Governance; T. Simpson, Service Lead – Corporate Accounting; C. Boyd, Service Lead – Risk & Safety; D. Yuille, Service Lead - Special Property Projects; K. Dalrymple, Service Lead – Neighbourhood Services; T. Burns, Service Lead – Asset Management and Community Asset Transfer; K. Anderson, Service Lead – Performance and Community Planning; C. McGhee, Chief Internal Auditor; J. McClure, Committee Services Lead Officer; C. Buchanan, Committee Services Officer, and C. McCallum, Committee Services Assistant.

Attending Remotely: T. Eltringham, Director – Health and Social Care; W. Wesson, Service Lead - Human Resources and Payroll; L. Kerr, Co-ordinator (Destination, Promotion and Inclusive Participation); L. Duncan, Chief Finance Officer (Health and Social Care Partnership); and A. Yeo, Senior ICT Security Analyst.

**Opening Remarks.**

The Chair

- (1) welcomed everyone to the meeting; and
- (2) outlined the procedures for conducting this meeting and advised that this meeting would be broadcast live.

**1. Sederunt and Declarations of Interest.**

The Chair called the Sederunt for the meeting and having called the roll, confirmed that Councillor Ramsay had declared an interest in item 2 of these Minutes as he was a signatory on the call-in form.

**Having previously declared an interest in the following item, Councillor Ramsay left the meeting during consideration of this matter.**

**2. Call in from Cabinet – “Transfer of the Site of the John Pollock Centre to Housing Revenue Account”**

Reference was made to the Minutes of the Cabinet of 30 August 2022 (Page 3, paragraph 7) when the Cabinet had decided

- (1) to note that the consultation carried out by the Director - Place with tenants and the public had been largely in favour of the proposed transfer of the site from the General Fund to the HRA for nil consideration; and
- (2) to grant authority to transfer the site of the John Pollock Centre from the General Fund to the HRA at nil value ahead of a proposed residential development in accordance with the explanation set out in the report and provided that the Council's Housing Revenue Account met the abnormal costs of £3,222,539.

The Panel was advised that the report had been the subject of a [call-in](#) (issued), details of which were outlined by Councillor Philip Saxton when he introduced and spoke to the call-in.

A full discussion took place in relation to the public consultation exercise which the Panel noted had been broadly supportive; the apparent discrepancy of costings for demolition works within the report, and the requirement to ensure that public money was spent responsibly.

Questions were raised by Panel Members in relation to:-

- (a) whether Officers had considered carrying out the consultation again once the demolition cost figure had been updated; and the Assistant Director – People advised that error was not considered a material change and tenants and residents had been given three weeks to respond to the consultation;
- (b) the transfer of the monies from General Services Capital Programme to Housing Revenue Account; and the Assistant Director – People advised that a decision on this matter had been taken at Leadership Panel of 26 November 2019 as outlined in the responses to the call-in (issued); and that the total abnormal costs had been included in the costs detailed in the report entitled “Affordable Housing – Mainholm Road, Ayr” which had been approved by Cabinet on 30 August 2022, however, the recommendations contained in this report could not be progressed until the transfer value was agreed; and
- (c) the impact of transferring the costs to HRA; and the Service Lead – Corporate Accounting advised that there was no impact as this was factored into projected calculations.

The Chief Executive referred to the previous decisions taken on this matter at Leadership Panel and Cabinet; advised that, in order for costs to be met from General Services, approval of a subsidy from General Services Capital Programme to Housing Revenue Account would be required from the Scottish Government; and outlined that the total abnormal costs of £3,222,539 had been included in total project costs outlined in a separate report Affordable Housing – Mainholm Road, Ayr approved by Cabinet on 30 August 2022.

The Chair then outlined the options open to the Panel when considering this call-in.

Councillor Bell, seconded by Councillor Weir moved that the Panel uphold the decision of the Cabinet.

By way of Amendment, Councillor McGinley, seconded by Councillor Scott moved that the matter be referred back to the Cabinet with the recommendations that the Cabinet consider if the consultation was materially flawed and required remedy; and to ascertain if the additional cost of demolition to be borne by the Housing Revenue Account met the Best Value criteria.

Four Members voted for the Amendment and three for the Motion. The Amendment was accordingly declared carried and the Panel

**Decided:** that the matter be referred back to the Cabinet with the recommendations that the Cabinet consider if the consultation was materially flawed and required remedy; and to ascertain if the additional cost of demolition to be borne by the Housing Revenue Account met the Best Value criteria.

**Councillor Ramsay re-joined the meeting at this point.**

**3. Minutes of Previous Meeting.**

The Minutes of the meetings of [22 June](#) and [28 June 2022 \(Special\)](#) (issued) were submitted and approved.

**4. Action Log and Work Programme.**

There was submitted an update of the [Action Log and Work Programme](#) for this Panel (issued).

The Service Lead – Corporate Accounting provided the Panel with an update on the status of the Action Log and Work Programme and advised that the Application Form for Corporate Lets and Note of Criteria for being awarded discretion had been issued to Members on 30 August and 2 September 2022.

A Panel Member advised that the Application Form supplied to Members had been out of date; and the Service Lead – Corporate Accounting advised that he would contact the Service Lead concerned and request that a revised Application Form be issued to Members.

The Panel

**Decided:** to note the current status of the Action Log and Work Programme.

## External Audit Report

### 5. Best Value Action Plan 2021-22 – Update.

There was submitted a [report](#) (issued) of 26 August 2022 by the Assistant Director - People advising of the progress made in delivering the actions identified in the Best Value Assurance Report - Action Plan 2021-22.

Questions were raised by Panel Members in relation to:-

- (1) the action “Engage the Improvement Service on aspects of Best Value” only having made 10% progress with a due date of 31 December 2022; and the Service Lead – Performance and Community Planning advised that Members would have received a diary date of 11 October 2022 and a number of follow-up dates between now and the end of the year to develop the revised Council Plan and that, following 11 October 2022, matters would progress quickly; and
- (2) the action entitled “Develop a clear understanding of public needs, preferences, and priorities through a robust and recurring engagement process, aligned with the local government electoral cycle” which had 0% progress with a due date of 31 December 2022 and the note “An engagement strategy will be developed and delivered through Thriving Communities teams at the appropriate time” and a Member enquired when “the appropriate time” would be; and the Chief Executive advised that she would pick this up with the Thriving Communities Team, however, this reflected where the Council was in the electoral cycle; and that she would engage with the administration and determine the priorities going forward.

Comments were made by Members:

- (a) that, although progress was 100% in some areas, these tended to be where a report was required, however, actions such as engaging with the public and identifying priorities had slow progress and they would urge the administration to agree priorities and move the development of these important areas along;
- (b) that it was worrying that a number of targets had 0% or 10% progress and, although the explanations were understood, the Best Value report required these to be addressed within the timescales; and that they would suggest this matter be referred to Cabinet for the Portfolio Holders to ensure the appropriate actions were taken; and
- (c) in relation to the action entitled “Develop a clear understanding of public needs, preferences, and priorities through a robust and recurring engagement process, aligned with the local government electoral cycle” which had 0% progress; that this should be included in the Action Log of this Panel to ensure that it was progressed expediently.

The Panel, having scrutinised the content of the Best Value Action Plan 2021-22 update report,

**Decided:** to note the progress through the narrative set out within Appendix 1.

## **Internal Audit Report**

### **6. Internal Audit - Progress Report (i) Progress of Annual Internal Audit Plan 2021/22 (ii) Progress of Annual Internal Audit Plan 2022/23 (iii) Implementation of Internal Audit Action Plans**

There was submitted a [report](#) (issued) of 26 August 2022 by the Chief Internal Auditor advising of internal audit's progress regarding the 2021/22 internal audit plan, progress regarding the 2022/23 internal audit plan, and directorate progress in regard to the implementation of action plans.

The Chief Internal Auditor provided a summary of the report and updated Panel Members on the recruitment exercise as outlined at paragraph 4.4 of the report advising that two internal members of staff and one external candidate had been appointed, that the external member of staff would be commencing employment on 13 September 2022 and that Internal Audit now had a full complement of staff.

Questions were raised by Panel Members in relation to:

- (1) the "controls around fuel systems" and whether the Chief Internal Auditor was confident that those controls would remedy the situation and whether there was an intention to further monitor this particular action; and the Chief Internal Auditor advised that, during the clearance process of reports, work had been carried out with the service to ensure the actions were realistic, achievable and would resolve the issue, therefore she was confident that the actions would rectify the situation; that all red audit reports would be followed up which was included within the 2022/23 Internal Audit plan, with a follow-up being carried out in January 2023 to ensure actions had been implemented; and that a follow up report would be provided to all Members on this;
- (2) the number of outstanding actions for the "controls around fuel systems" item and whether consideration had been given to creating an action on the corporate Risk Register to monitor it; and the Chief Internal Auditor advised that she would expect the risks to be reviewed as part of an ongoing risk monitoring process and only added to the Risk Register if necessary; and the Service Lead - Risk & Safety further advised that she would expect most of these types of issue to be included in operational risk registers at directorate level, however, she would take this forward with the Chief Internal Auditor;
- (3) anonymous whistle blowing complaints as outlined in paragraph 4.3.5 of the report and whether these were recorded; and the Chief Internal Auditor advised that records of these complaints were retained and patterns were looked for to establish if various complaints on a similar area required to be added to the annual Internal Audit Plan a full internal audit review, however, some complaints would not be investigated by Internal Audit may be passed to the service for investigation or to HR. Internal Audit would still retain a record of the complaint;
- (4) Overdue Actions in Appendix 3 of the report and the further extensions granted and, whilst the explanation was understood, were more realistic target dates requiring to be set or were procedures requiring to be reviewed; and the Chief Internal Auditor advised that it was attempted to set realistic dates, however, matters arose such as staff vacancies and one extension had been agreed due to the implementation of a new system which could not be foreseen; and that everything that could be reasonably foreseen was taken into account when setting the target dates.

Comments were made by Panel Members

- (a) that they were delighted at the recruitment of staff and that Internal Audit now had a full complement of staff;
- (b) that it was imperative that the Council had tight controls over the fuel systems and that progress reports on this were welcomed;
- (c) that there should be a link between audit reports and the corporate risk register whereby, if a risk met a certain threshold, there should be a recommendation within the report that it was entered in the corporate Risk Register; and the audit process should be part of that;
- (d) regarding the importance of staff utilising Pentana correctly as the quality of information was compromised if the information was not entered correctly and not updated regularly; and the Chief Executive advised that she regularly reinforced the need for staff to update Pentana regularly;
- (e) that Members would benefit from training in the use of Pentana; and the Chief Executive advised that she would arrange this training for Members;
- (f) that updates on any “red reports” should be submitted to this Panel; and
- (g) regarding those actions officers were seeking a third extension for and the requirement for the Panel to know why; and the Chief Executive advised that it was appropriate for officers to attend Panel and explain why a third extension was being sought to allow Members to understand the reasons for requesting a further extension.

The Panel

**Decided:** to note the contents of the report.

### **Other Governance Reports**

#### **7. Internal Audit Annual Update Report - Integration Joint Board (IJB) Performance and Audit Committee (PAC)**

There was submitted a [report](#) (issued) of 26 August 2022 by the Chief Internal Auditor providing an annual report for information to the Panel on internal audit work carried out for the Integration Joint Board (IJB) by the South Ayrshire Council and NHS Ayrshire and Arran (NHSAAA) internal auditors.

The Panel

**Decided:** to note the contents of the report.

## 8. Strategic Risk Management

There was submitted a [report](#) (issued) of 26 August 2022 by the Head of Legal, HR and Regulatory Services updating the Panel on the reviewed Strategic Risk Register (Appendix 1 of the report) in line with the agreed reporting framework.

Questions were raised by Panel Members:-

- (1) in relation to the progress made on Workforce Planning; and the Service Lead – Risk & Safety advised that a Working Group had been established in June 2022 and that all Service Leads had been contacted to undergo training to enable a Workforce Planning toolkit to be rolled out and that good progress was being made with this; and the Chief Executive further advised that a report would be submitted to the next meeting of the Service and Performance Panel updating Members on the position with Workforce Planning;
- (2) in relation to Sustainable Development and Climate Change and whether the Council was working towards zero carbon in an integrated and strategic way; and the Service Lead – Corporate Accounting advised that the Council's Carbon Budget had been linked to the financial budget which was an important step in making budget decisions; and the Service Lead – Neighbourhood Services further advised that the Council was currently undertaking a mid-term refresh of the strategy, meetings had recently been held with the Improvement Service which had been very successful as it highlighted the matters to be concentrated on and highlighted that climate change must be focussed on; and that good progress had been made in the last few years; and
- (3) on when the Future Operating Model would be implemented; and the Service Lead – Risk & Safety advised that the progress in the report did not show a true reflection as a significant amount of work had been carried out since the report had been written; that more services had been returning on a hybrid or office based model recently; and that a report would be submitted to Cabinet to its meeting of 27 September 2022 on the position with the Future Operating Model.

Comments were made by Panel Members:-

- (a) commending the Service Lead – Corporate Accounting on the relationship between the financial budget and the carbon budget; outlining that with strategic thinking there were opportunities for savings to be made; if changes were made to ways of working to help climate change, the Council would become a better employer and better organisation; and that where decisions required to be made, these should be co-ordinated by champions and advocates for climate change;
- (b) in relation to concerns regarding the public consultation on Council services as accurate data may not be acquired due to it not being advertised widely that certain Council buildings had now re-opened;
- (c) in relation to climate change and if there was reduced activity in certain Council buildings, for efficiency savings they should not be opened two days per week and heated seven days per week;
- (d) in relation to concerns about the date for the conclusion of the review of Customer Services; and the Chief Executive advised that she would discuss this with the relevant officers; and

- (e) in relation to the difficulties in carrying out public consultations and engaging the public, however, it was noted that this authority was constantly improving in carrying out these consultations.

The Panel, having considered the reviewed Strategic Risk Register (Appendix 1 of the report) updated by Chief Officers,

**Decided:** to note the twelve key risks and endorse the work currently being undertaken or proposed by risk owners to mitigate these risks.

## 9. **Equalities**

There was submitted a [report](#) (issued) of 26 August 2022 by the Chief Executive requesting that the Panel consider a proposal for the way forward when dealing with equalities matters.

Comments were made by Members:-

- (1) in relation to the importance of equalities matters; the usefulness of the Council's Equality Impact Assessments; the requirement to know the impact of decisions made by the Council; the duty on Members to understand how Council decisions affected the residents of South Ayrshire; and that Members required to be satisfied that they were doing everything possible to improve the quality of life of the residents of South Ayrshire;
- (2) regarding the need to improve on training as the mandatory course on COAST involved memorising information and answering questions on the information provided; training required to be more robust to enable Members and staff to demonstrate their understanding of equalities matters; and that Members' briefings on important issues such as equalities should involve a full day event and the sharing of opinions to achieve a better understanding of these issues;
- (3) on the importance of this matter staying current; and the Service Lead – Performance and Community Planning advised that the matter of equalities was everyone's responsibility, that he would urge Members to scrutinise the equality impact assessments at meetings; that he was working with officers to improve the quality of the equality impact reports; and that he was working with the Improvement Service to produce an online version of the equality impact assessment which could be updated throughout the process of producing this report and, when presented to Cabinet, showed a log of the updates; and
- (4) on the importance of taking cognisance of the Council's external agencies and networks to ensure that the Council was liaising with people from different religions, needs, languages, abilities, orientations, etc and engaging with them in a meaningful way to understand their needs; and the Service Lead - Performance and Community Planning advised that, although the Council engaged with as many forums as possible, it was important not to over burden them with every consultation; that it was a key role for the Equalities Officer to be the link between these Forums; and that the Council was part of the Ayrshire Equality Network.

A question was raised by a Member in relation to whether there was scope to look at an external accreditation or external assurance for this type of work; and the Service Lead – Performance and Community Planning advised that he currently worked with the Improvement Service who benchmarked across Scotland, however, he would investigate this matter to ascertain what was available.

Following a recommendation from the Chief Executive that the Equality and Diversity Forum be requested to investigate training for Elected Members and employees and the format that this should take, the Panel agreed to this recommendation.

Following a request from a Member that, in terms of recommendation 2.1.2 of the report, these proposals be brought to this Panel for scrutiny prior to being considered by Cabinet, the Chief Executive advised that this was acceptable.

In terms of Standing Order No. 19.9, there was no general agreement to the unopposed motion, therefore, the Panel moved to a vote for or against the Motion and, by a majority, the Panel, having noted the contents of the report,

**Decided:**

- (a) to request that the Equality and Diversity Forum bring forward proposed improvements for the scrutiny of this Panel prior to being referred to Cabinet;
- (b) to request that the role and remit of the Equality and Diversity Forum be updated to reflect the Council's obligations under the Fairer Scotland Duty; and
- (c) to request that the Equality and Diversity Forum investigate training methods for Elected Members and employees.

The meeting ended at 12.30 p.m.

## Audit and Governance Panel

Agenda Item No. 4

### Action Log

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
1	22/06/22	Corporate Lets	Corporate Lets Application Form and Note of Criteria for being awarded discretion to be issued to all Members	Co-ordinator (Destination, Promotion and Inclusive Participation)	Emails issued to members on 30 August and 2 September 2022.	
2	22/06/22 and 01/09/22	Corporate Lets	Updated Application Form for a Corporate Let to be issued to all Members	Co-ordinator (Destination, Promotion and Inclusive Participation)	Still to be progressed	
3	01/09/22	“Develop a clear understanding of public needs, preferences, and priorities through a robust and recurring engagement process, aligned with the local government electoral cycle”	As this matter was 0% progress at meeting of 1 September 2022, Panel to monitor this to ensure progressed expediently	Corporate Leadership Team; Executive Leadership Team; South Ayrshire Council Elected Members	This item will be monitored through Best Value Working Group and regular updates to this Panel	Completed

## Audit and Governance Panel

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
4	01/09/22	Equalities	Equality and Diversity Forum to be requested to investigate training for Elected Members and Employees on Equalities; and the format that this should take.	Service Lead – Policy, Performance and Community Planning	This action is currently being considered however due to resourcing issues no specific date has been agreed at this stage. Further updates will be provided in due course.	
5	01/09/22	Best Value Action Plan 2021-22 – Update - when is the “appropriate time” for the engagement strategy to be developed and delivered through the Thriving Communities Team	To be picked up with the Thriving Communities Team and to engage with the Administration to determine the priorities going forward	Assistant Director - People	The Thriving Communities team are ready to support any consultation and engagement emerging from the development of the Council Plan and the associated financial planning that would support the delivery of the Council Plan objectives.	
6	01/09/22	Best Value Action Plan 2021-22 – Update – a number of targets 0% or 10% progress and the Best Value report required these to be addressed within the timescales	This matter to be referred to Cabinet for the Portfolio Holders to ensure the appropriate actions are taken	Chief Executive	Matter raised with Leader on 27 September 2022 and meeting of Administration being scheduled following Improvement Service briefing on 11 October 2022. Meeting of Best Value Working Group also being arranged	
7	01/09/22	Internal Audit Progress Report	Members to receive Pentana Training	Service Lead – Policy, Performance and Community Planning	Training sessions currently being arranged with group secretaries.	

## Audit and Governance Panel

### Work Programme 2022/23

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
1.	<b>Internal Audit - Progress Report (i) Progress of Annual Internal Audit Plan 2022/23 (ii) Implementation of Internal Audit Action Plans</b>	Report to Panel	Chief Internal Auditor	Quarterly reports throughout the year (Jan, May, Sept, Nov)	Next report due November 2022
2.	<b>External Audit Progress Reports</b>	Report to Panel	Head of Finance and ICT	Regular reports throughout the year	Next report due December 2022
3.	<b>Corporate Fraud Team Activity Report</b>	Report to Panel	Chief Internal Auditor	Six monthly (May and Dec)	Next report due December 2022
4.	<b>Strategic Risk Report</b>	Report to Panel	Head of Legal, HR and Regulatory Services	Six monthly	
5.	<b>Best Value Assurance Report - Quarterly Updates on Progress against the Action Plan</b>	Report to Panel	Assistant Director – People	Quarterly reports throughout the year	
6.	<b>Audit Report</b>	Report to Panel	Chief Executive	5 October 2022	Report to this Panel
7.	<b>Audit Scotland: Fraud and Irregularity 2021/22</b>	Report to Panel	Head of Finance and ICT	5 October 2022	Report to this Panel
8.	<b>Audit Scotland: Local Government in Scotland Overview 2022</b>	Report to Panel	Assistant Director - People	9 November 2022	
9.	<b>Accounts Commission Annual Report 2021/22</b>	Report to Panel	Head of Finance and ICT	5 October 2022	Report to this Panel

## Audit and Governance Panel

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
10.	<b>Audit Scotland: Scotland's Financial Response to Covid-19</b>	Report to Panel	Head of Finance and ICT	5 October 2022	Report to this Panel
11.	<b>Final Report on the 2021/22 Audit</b>	Report to Panel	Head of Finance and ICT	9 November 2022	
12.	<b>External Audit – Audit Dimensions and Best Value Report 2021/22</b>	Report to Panel	Head of Finance and ICT	9 November 2022	
13.	<b>Revised Internal Audit Plan</b>	Report to Panel	Chief Internal Auditor	9 November 2022	
14.	<b>Treasury Management Mid-Year Report 2022/23</b>	Report to Panel	Head of Finance and ICT	7 December 2022	
15.	<b>Proposed Internal Audit Plan 2023/24 (including Annual Review of Internal Audit Charter)</b>	Report to Panel	Chief Internal Auditor	22 March 2023	

**South Ayrshire Council**

**Report by Head of Finance, ICT and Procurement  
to Audit and Governance Panel  
of 5 October 2022**

---

**Subject:        Audit Scotland: Fraud and Irregularity 2021/22**

---

**1.        Purpose**

- 1.1        The purpose of this report is to advise the Panel of the Audit Scotland report 'Fraud and Irregularity 2021/22'.

**2.        Recommendation**

- 2.1        It is recommended that the Panel considers the findings outlined in the Audit Scotland report 'Fraud and Irregularity 2021/22' (attached as Appendix 1).**

**3.        Background**

- 3.1        In July 2022, Audit Scotland published a report entitled 'Fraud and Irregularity 2021/22'. The key messages as summarised in the report are as follows:

3.1.1        The Covid-19 pandemic introduced many challenges for the Scottish public sector – public bodies delivered both existing and new services in new working environments. These changes resulted in additional fraud risks for public bodies to manage;

3.1.2        New challenges – despite these new challenges, auditors have found that most bodies have responded well by introducing new systems, procedures and controls;

3.1.3        The Covid-19 pandemic has seen new fraud introduced – for example, fraudsters have targeted the grants to support businesses through the pandemic. Steps have subsequently been taken to reduce fraud and error in these schemes by grant-paying bodies and government; and

3.1.4        Weaknesses in controls contributed to cases of fraud and irregularities—during 2021/22, internal control weaknesses contributed to 7 cases of fraud and irregularity valued at over £354,000 being identified in public bodies. In comparison, 13 cases of fraud and irregularity valued at £401,500 were identified during 2020/21. Despite many challenges facing public bodies over the past two years because of the Covid-19 pandemic, the value of fraud and irregularity detected remains low compared to the 2021/22 annual Scottish budget of £54 billion.

## 3.2 Recommendations as summarised in the report are as follows:

### 3.2.1 Public bodies should ensure effective counter-fraud arrangements are in place. These include:

- having effective governance and oversight arrangements for counter-fraud;
- understanding the current and emerging counter-fraud risks facing the body;
- regularly reviewing their counter-fraud strategy and counter-fraud plan;
- regularly assessing and reviewing internal controls and governance arrangements to ensure they remain effective;
- considering whether the risks and weaknesses in controls identified in the audit report may exist in their organisation and taking appropriate corrective actions; and
- reviewing the independent reviews and associated recommendations that were commissioned by the Scottish Environment Protection Agency (SEPA) following a ransomware attack on its systems.

### 3.2.2 Auditors should confirm that:

- the governance arrangements in place in their audit clients are effective, regularly reviewed and amended as appropriate for new fraud risks; and
- internal controls are operating effectively to help prevent fraud and irregularity, including the examples detailed in the audit report.

## 4. Proposals

4.1 It is proposed that Members consider and note the terms of the Audit Scotland report.

4.2 In terms of South Ayrshire Council's own Governance and counter fraud arrangements, it should be noted that:

- the Council continues to have robust governance and scrutiny arrangements in place and appropriate temporary governance arrangements were put in place in response to the Covid-19 pandemic with normal governance arrangements having now returned through hybrid video conferencing;
- in response to the pandemic and in line with the Council's Risk Management Strategy, an update of the Strategic Risk Register was presented to Leadership Panel and the Audit and Governance Panel in October 2020. The impact of Covid-19 in terms of response and recovery was fully considered and risk mitigations were modified and agreed as part of the revisions to the risk register;

- the Council continues to take part in regular National Fraud Initiatives data matches to prevent and detect fraud; and
- an Integrity group, attended by senior officers of the Council, was established a number of years ago to identify, evaluate and take appropriate mitigating actions in respect of fraud and irregularities.

## **5. Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

6.1 Not applicable.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

## **9. Equalities**

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

**12/**

## **12. Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## **13. Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

**Background Papers**    **None**

**Person to Contact**    **Tim Baulk, Head of Finance, ICT and Procurement  
County Buildings, Wellington Square, Ayr, KA7 1DR  
Phone 01292 612620  
E-mail [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)**

**Date:**    **23 September 2022**

# Fraud and irregularity

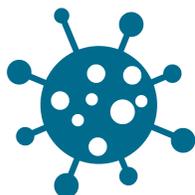
## 2021/22

**Sharing risks and case studies to support the Scottish public sector in the prevention of fraud**



# Key messages

The Covid-19 pandemic heightened the risk of fraud as new systems and ways of working were introduced.



## 1. The Covid-19 pandemic introduced many challenges for the Scottish public sector

Public Bodies delivered both existing and new services in new working environments. These changes resulted in additional fraud risks for public bodies to manage.



## 2. New challenges

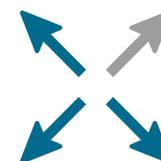
Despite these new challenges, auditors have found that most bodies have responded well by introducing new systems, procedures, and controls.

# Key messages continued



## 3. The Covid-19 pandemic has seen new fraud introduced

For example, fraudsters have targeted the grants to support businesses through the pandemic. Steps have subsequently been taken to reduce fraud and error in these schemes by grant-paying bodies and government.



## 4. Weaknesses in controls contributed to seven cases of fraud and irregularities totalling over £354,000

During 2021/22, internal control weaknesses contributed to seven cases of fraud and irregularity valued at over £354,000 being identified in public bodies. In comparison, 13 cases of fraud and irregularity valued at £401,500 were identified during [2020/21](#). Despite many challenges facing public bodies over the past two years because of the Covid-19 pandemic, the value of fraud and irregularity detected remains low compared to the 2021/22 annual Scottish budget of [£54 billion](#).

Audit Scotland's [counter-fraud hub](#) contains useful counter-fraud information.

# Recommendations

## **Public bodies should ensure effective counter-fraud arrangements are in place.**

### **These include:**

- having effective governance and oversight arrangements for counter-fraud
- understanding the current and emerging counter-fraud risks facing the body
- regularly reviewing their counter-fraud strategy and counter-fraud plan
- regularly assessing and reviewing internal controls and governance arrangements to ensure they remain effective
- considering whether the risks and weaknesses in controls identified in this report may exist in their organisation and taking appropriate corrective actions
- reviewing the independent reviews and associated recommendations that were commissioned by the Scottish Environment Protection Agency (SEPA) following a ransomware attack on its systems.

## **Auditors should confirm that:**

- the governance arrangements in place in their audit clients are effective, regularly reviewed and amended as appropriate for new fraud risks
- internal controls are operating effectively to help prevent fraud and irregularity, including the examples detailed in this report.

# Fraud and irregularity identified during 2021/22

Auditors have provided Audit Scotland with details of cases of fraud and other irregularity discovered in their audited bodies during 2021/22. This report sets out examples of the various categories of fraud and irregularity reported during 2021/22 and the control weaknesses which contributed to these cases.

## Aims of this report

This report shares information about cases where internal control weaknesses in public bodies have led to fraud and irregularity, to help prevent similar circumstances happening again. External auditors have shared specific details about significant frauds and other irregularities in public bodies during 2021/22. The level of fraud and irregularity reported by external auditors was over £354,000, which is a very small proportion of the 2021/22 Scottish budget of £54 billion.

External auditors are required to report frauds, or suspected frauds, to Audit Scotland where they are caused or facilitated by weaknesses in public bodies' **internal controls**. Frauds and irregularities are considered significant where the value of the loss is over £5,000 or where it is of significance owing to the nature of the activity.

The cases included in this report are likely to have been investigated internally, but it is not necessary for the police to have been involved or for it to have been proven as fraud in a court of law.

Reporting cases about fraud and irregularity and sharing information about what happened helps highlight weaknesses in internal controls and aims to help prevent similar circumstances from happening in other public bodies.



**Internal controls** help organisations to respond to risks, to comply with legislation and regulations and to prepare quality financial information. This includes policies and procedures organisations put in place to help prevent errors and irregularities.

Public bodies are encouraged to consider whether the weaknesses in internal control that facilitated each of the cases highlighted in this report may also exist in their own arrangements and take the required corrective action.

## Fraud and irregularity identified during 2021/22

Fraud and irregularity reported during 2021/22 totals over £354,000 and falls into the following categories:



**1 case**

Pension fund



**1 case**

Procurement cards



**1 case**

Invalid supplier



**1 case**

Ticket income



**2 cases**

Covid-19 funding - 2 cases are included in this report as examples.



**1 case**

IT and cybercrime

## Control weaknesses

The fraudulent and irregular activity reported by external auditors during 2021/22 highlighted control weaknesses which contributed to the fraudulent and irregular activity.



Not checking customer details are up to date



Procedures not followed



Weak IT security arrangements



A lack of staff training



A weak authorisation process for payments



Easily circumvented procedures

Specific details of the fraud and irregularity are reported on the following pages.

# Pension fraud

Pension fraud relates to people receiving payments from a pension fund to which they are not entitled.

## Case Study 1: Pension fraud

A family member of a deceased pensioner continued to collect £300,000 of pension payments over a 31-year period from a public sector pension fund.



## Key features

The pension fund was not notified of the death of the pensioner and the pension payments continued to be paid.

The fraud was discovered by the pension fund after mail sent to the deceased pensioner was returned.

The fraud was possible as the pensioner's death pre-dated data-matching controls which are now in place to automatically highlight when a pensioner has died.

The pension payments have been stopped and the matter reported to Police Scotland.

# Expenditure fraud

Expenditure frauds relate to cases where a body has incurred additional expenditure because of fraud. This may be due to invalid suppliers, fictitious invoicing, or the redirection of payments intended for legitimate suppliers.



**Action Fraud UK** is the national centre where individuals can report fraud and cybercrime.

## Case Study 2: Corporate procurement card fraud

A council employee misused a corporate procurement card to fund personal purchases valued at over £7,300.



### Key features

The employee used an emergency authorisation process to bypass the requirement to obtain authorisation at a local level. It was therefore not identified that the purchases were not legitimate. The employee also dishonestly accessed emails and misused a computer system to fraudulently authorise their own purchases.

The fraud was identified through budgetary control processes.

The employee has been dismissed and reported to the Procurator Fiscal. Two managers are also subject to the council's disciplinary procedures.

The council has since provided staff with detailed instructions and training which outline the proper process for using and authorising corporate procurement cards.

## Case Study 3: Invalid supplier

A third party defrauded over £23,000 from a public body by purporting to be a supplier to the body.



### Key features

The public body received a request by email to amend a supplier's bank account details. The supplier's email address had been intercepted by a fraudster who requested the change.

The fraud was possible as the public body did not telephone the supplier to verify the change of bank details.

The issue was identified when the genuine supplier queried why the payment had not been received.

The public body's internal audit team has reviewed the process for changing suppliers' bank account details. Improvements have been made to procedures and training has been provided for relevant staff.

The matter has been reported to Police Scotland and **Action Fraud UK** has also been notified of the case.

# Income fraud

Income fraud relates to cases where a body has lost income because of fraud.

## Case Study 4: Admission ticket income

Third parties defrauded over £8,600 in admission ticket income from a public body.



### Key features

Unknown third parties fraudulently purchased and then resold admission tickets for events. The purchases were made using credit cards issued by an international provider. A loss was incurred as tickets had been used before the fraud was identified.

The fraud was discovered when the genuine cardholders subsequently requested refunds.

The fraud was facilitated by the international card provider not having secondary authentication procedures in place. The public body has stopped accepting credit cards without any secondary authorisation procedures in place.

Processes have been put in place to enhance card holder authentication for card payments.

# Covid-19 funding fraud

Covid-19 funding fraud relates to cases where fraudulent funding applications have been paid.

UK Government funding to the Scottish Government to support businesses and individuals throughout the Covid-19 pandemic was provided quickly, and often with lower levels of scrutiny and due diligence than are normally in place. Support was often provided to individuals and businesses that the paying organisation had no previous relationship with. This made verification of claims for funding difficult. To get the funding out quickly to those in need, the Scottish and UK governments introduced schemes which relied on self-declaration by the claimant.

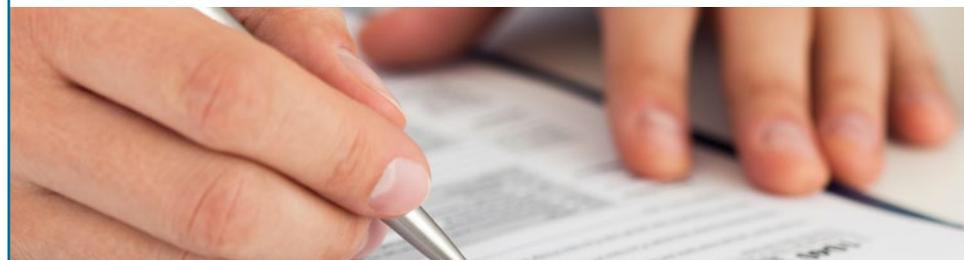
This has resulted in applicants being paid funding which subsequently have been found to have been fraudulent.



The value of some **grants** paid by councils depended on the type of business and the rateable value of the business premises.

## Case Study 5: Covid-19 funding (1)

A council paid out a £10,000 Covid-19 business support grant which later was discovered to be fraudulent.



### Key features

A fraudster submitted an application supported by a forged lease document for the business premises and a forged bank statement. A previous fraudulent change in ratepayer had been notified to the council.

The fraud was identified when the legitimate applicant submitted a grant application.

A second subsequent application has since been made for another grant in a subsequent grant-funding phase. The council did not process this second application.

The council has shared the details of the fraudulent application with other public bodies and has notified Police Scotland.

# Covid-19 funding fraud (continued)

## Case Study 6: Covid-19 funding (2)

A public body paid out a grant of £5,250 to a business based on an application having been received with a self-declaration by the business. The business stated that it had been adversely impacted by Covid-19. The public body paid out funds in accordance with the instructions and procedures issued by the Scottish Government.



### Key features

The public body subsequently received a communication from a third party highlighting concern over the award of the funding to this business. The public body's internal audit team carried out a review and requested further supporting evidence. This established that the recipient did not meet the eligibility criteria for the funding.

The public body is seeking recovery of the grant paid.

# Cybercrime

Cybercrime relates to losses due to crime which has been committed using computer systems and IT networks.

## Case Study 7: Cyber-attack

SEPA suffered a cyber-attack and subsequent data loss on 24 December 2020. Our 2020/21 Fraud and irregularity report contained initial details which were known at that time. Further details and learning from the attack are now available and a summary is provided below.

### Key features

The cyber-attack resulted in SEPA being unable to retrieve a significant amount of its data. This was despite independent reviews finding that SEPA had a high level of cyber security maturity. The criminals demanded a ransom which SEPA did not pay.

Investigations have not yet identified the exact route source of where the cyber-attack breached SEPA's systems. However, there are indications that it was through a **phishing** attack. This means there may have been a degree of human error involved, which is very difficult to mitigate against.

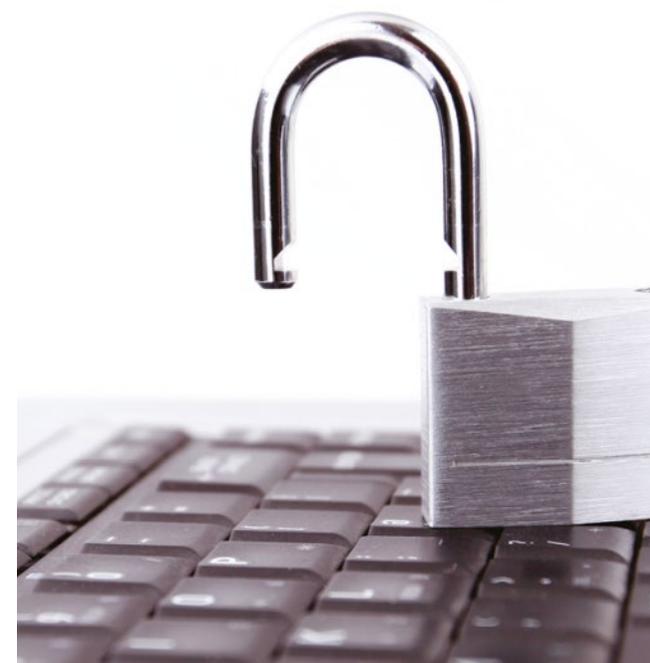
SEPA immediately implemented its emergency management arrangements in response to the cyber-attack. It also worked with the Scottish Government, Police Scotland, the National

Cyber Security Centre (NCSC) and the Scottish Business Resilience Centre (SBRC) to deliver a recovery strategy.

SEPA commissioned [independent reviews](#) to assist it and other public-sector organisations in learning from the incident and to help protect itself and others from ongoing cyber threats. The independent reviews identified a number of recommendations.

Public-sector bodies should review these recommendations and learn lessons from what has happened to SEPA. This incident highlights that no organisation can fully mitigate the risk of the ever-increasing threat and sophistication of a cyber-attack but it is crucial that organisations are prepared.

The Auditor General has published a [report](#) on the cyber-attack against SEPA.



**Phishing** is where criminals send emails purporting to be from reputable sources to deceive individuals into providing information or data such as passwords, or to click on a link that allows malware to be downloaded.

# Ways to reduce counter-fraud risks

There are many ways that public bodies can attempt to mitigate the risk of fraud as well as trying to prevent fraudulent activity from occurring.

This includes:

- understanding the organisation's fraud risks. An appropriate counter-fraud strategy and plan should be in place
- ensuring appropriate governance arrangements are in place, with oversight of counter-fraud arrangements
- agreeing the organisation's fraud risk appetite and approach to newly-emerging risks
- having appropriate fraud prevention and detection processes in place
- regularly carrying out a fraud risk assessment to identify vulnerable areas
- having internal audit regularly reviewing and evaluating controls to ensure they operate effectively and can adapt to new or emerging risks
- ensuring staff are appropriately trained in their area of work. This will include counter-fraud training specific to their role
- ensuring processes are in place to report any suspected fraud or error
- having effective fraud response arrangements in place
- reviewing any instances of fraud or error for any lessons that could be learnt to prevent future losses
- using digital innovations, eg data analytics, to help identify weakness in controls
- using data matching such as the [National Fraud Initiative \(NFI\)](#) and analytical procedures to help identify fraud or error
- working collaboratively with partners to prevent and detect fraud
- ensuring IT systems are protected and the latest guidance from bodies such as the [National Cyber Security Centre](#) is followed.



**The NFI** is a data matching exercise that matches electronic data within and between public and private-sector bodies to prevent and detect fraud.

# Further information

Further information about Audit Scotland's work to support counter-fraud and good governance is available on our website. This includes information about:



Website:  
**Our work on counter-fraud**



Report:  
**Covid-19: Emerging fraud risks**  
July 2020



Report:  
**Red flags in procurement**  
October 2019



Website:  
**The National Fraud Initiative**



Blog:  
**Cybercrime: A serious risk to Scotland's public sector**  
May 2021



Report:  
**How councils can safeguard public money**  
April 2019



Report: **The 2020/21 audit of the Scottish Environment Protection Agency**  
February 2022

# Fraud and irregularity

2021/22

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

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

For the latest news follow us on social media or [subscribe to our email alerts](#).



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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

ISBN 978 1 913287 90 0

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

Policy Title	Audit Scotland: Fraud and Irregularity 2021/22
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – tim.baulk@south-ayrshire.gov.uk

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low



## South Ayrshire Council

### Report by Head of Finance, ICT and Procurement to Audit and Governance Panel of 5 October 2022

---

**Subject:        Audit Scotland: Scotland's Financial Response to  
Covid-19**

---

#### 1.        Purpose

- 1.1        The purpose of this report is to advise the Panel of the Audit Scotland report 'Scotland's Financial Response to Covid-19'.

#### 2.        Recommendation

- 2.1        **It is recommended that the Panel considers the findings outlined in the Audit Scotland report 'Scotland's Financial Response to Covid-19' (attached as Appendix 1).**

#### 3.        Background

- 3.1        In June 2022, Audit Scotland published a report entitled 'Scotland's Financial Response to Covid-19'. The key messages as summarised in the report are as follows:

3.1.1        The Scottish Government worked collaboratively and at pace with local and UK government to direct significant public spending in difficult circumstances. It is critical that lessons are learned about what worked well, and what did not to improve the public sector response to any future crises;

3.1.2        The Scottish Government streamlined governance arrangements to direct funds quickly, but it is hard to see how some financial decisions were reached;

3.1.3        The Scottish Government directed a large proportion of funding to councils and other public bodies who had existing systems and local knowledge to enable them to spend quickly;

3.1.4        The Scottish Government has managed its overall budget effectively but some Covid-19 funding remains unspent;

3.1.5        It is vital for transparency and financial planning that the Scottish Government and other public bodies are clear about how one-off Covid-19 funding has been spent, including where spending commitments may last for several years; and

3.1.6 More work is needed by the Scottish Government to show how the wide range of Covid-19 spending measures have worked together to address the harms caused by the pandemic.

3.2 Recommendations for the Scottish Government, Councils, NHS Boards and integration authorities as summarised in the report are as follows:

3.2.1 Improve the transparency of public finances to support scrutiny of Covid-19 funding and spending measures by:

- collecting, drawing together and analysing Covid-19 funds data to establish how much money was spent, where, and how quickly it was issued and received;
- reporting through their accounts and management information how Covid-19 funding held in reserves has been spent, and the extent to which Covid-19 funded spending commitments will exist in future years;
- reviewing their medium-term and longer-term financial plans to reflect the ongoing impact and financial consequences of the pandemic. This should include the longer-term impact on resources and potential costs of continuing to support citizens and restore lost income;

3.2.2 Continue to monitor and report on fraud and error arising from Covid-19 business support payments to ensure that processes are working in practice, funds are allocated correctly, and steps are taken to recover funds paid in error;

3.2.3 Work together to learn lessons from the financial response to the pandemic by:

- collecting and sharing findings from their response, including financial information to demonstrate the impact the spending has had and to allow others to benefit from good practice;
- considering what systems should be in place to enable consistent spending information to be collected while minimising the administrative burden;
- collectively understanding the ongoing challenges and longer-lasting impacts of the pandemic which will allow them to work together to recover;
- developing robust processes which will improve the public sector response to future crises or other cross-cutting issues, such as climate change and child poverty; and
- evaluating whether Covid-19 spending delivered the desired outcomes.

## 4. Proposals

4.1 It is proposed that Members consider and note the terms of the Audit Scotland report.

4.2 In terms of South Ayrshire Council's response to the recommendations contained in the report, it should be noted that:

- reporting of Covid-19 financial implications has featured in the two most recent financial years annual accounts and continues to feature in ongoing budget management reporting;
- Covid-19 funded spending commitments have featured in both the 2021/22 and 2022/23 annual budget setting process and will continue to feature in future years budgets if appropriate;
- future updates to medium-term and longer-term financial plans will consider and reflect any ongoing impact and financial consequences of the pandemic;
- in response to the monitoring and reporting of Covid-19 related fraud, additional control mechanisms to mitigate, detect and prevent fraud in relation to the significant grant awards made to local businesses and the community in general were agreed with internal audit and put in place to reduce risk;
- in response to the increased risk, as a result of Covid-19 funding, a data matching exercise was carried out on a pan-Ayrshire basis through the internal audit team to check for duplicate grant award payments; and
- the Council will respond to and work together with other public sector organisation to ensure lessons are learned to improve the public sector response to future crises or other cross-cutting issues.

## **5. Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

6.1 Not applicable.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

### ***8.1 Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### ***8.2 Risk Implications of Rejecting the Recommendations***

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

## **9. Equalities**

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

## **10. Sustainable Development Implications**

- 10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## **13. Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

**Background Papers**    **None**

**Person to Contact**    **Tim Baulk, Head of Finance, ICT and Procurement  
County Buildings, Wellington Square, Ayr, KA7 1DR  
Phone 01292 612620  
E-mail [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)**

**Date:**    **23 September 2022**

# Scotland's financial response to Covid-19



ACCOUNTS COMMISSION 

AUDITOR GENERAL 

Prepared by Audit Scotland  
June 2022



# Contents

Key facts	<b>3</b>
Key messages	<b>4</b>
Recommendations	<b>6</b>
Introduction	<b>8</b>
1. Deciding the public financial response	<b>10</b>
2. Managing overall financial implications	<b>21</b>
3. Managing Covid-19 public spending programmes	<b>26</b>
Endnotes	<b>40</b>
Appendix	<b>41</b>

## **Audit team**

The core audit team consisted of:  
Richard Robinson,  
Ashleigh Madjitey,  
Becki Lancaster,  
Garry Quigley and  
Thomas Charman  
under the direction of  
Mark Taylor.

# Key facts

	The amount of Covid-19 Barnett consequentials provided to the Scottish Government by the UK Government since March 2020	<b>£14.4 billion</b>
	The amount the Scottish Government has allocated to its Covid-19 response in 2020/21 and 2021/22	<b>£15.5 billion<sup>1</sup></b>
	The estimated amount spent by the Scottish Government on its response to Covid-19, between March 2020 and December 2021	<b>£11.8 billion</b>
	The number of Covid-19 spending announcements made by the Scottish Government, between March 2020 and March 2022	<b>300+</b>
	Total Covid-19 funding allocated to health and social care in 2020/21 and 2021/22	<b>£5.7 billion</b>
	Total Covid-19 funding allocated to business support in 2020/21 and 2021/22	<b>£5.2 billion</b>
	Total Covid-19 funding allocated to councils by the Scottish Government in 2020/21 and 2021/22	<b>£1.8 billion</b>

## Covid-19: Barnett formula and Barnett consequentials



### Notes:

1. £1.1 billion funded through reprioritisations and the Scotland Reserve.
2. At UK Government spending reviews, the Barnett formula also takes into account the percentage of departmental budgets that relate to devolved spending.

# Key messages

**1 The Scottish Government worked collaboratively and at pace with local and UK government to direct significant public spending in difficult circumstances. It is critical that lessons are learned about what worked well, and what did not to improve the public sector response to any future crises.**

The Scottish Government worked with councils, NHS boards and other public bodies to take financial decisions and distribute funding. They had not prepared for the unprecedented scale and speed of the financial response required. Existing financial processes were stretched, and some processes needed to be set aside or significantly modified so that money could quickly get to where the Scottish Government considered it was most needed.

**2 The Scottish Government streamlined governance arrangements to direct funds quickly, but it is hard to see how some financial decisions were reached.**

Records of decision-making are not collated centrally, and we could not always see how data and other intelligence was used to inform funding allocations. It is also unclear how spending announcements link to budgets and subsequent spending. Once announced, funds were designed using the available data but the extent and quality of data varied.

**3 The Scottish Government directed a large proportion of funding to councils and other public bodies who had existing systems and local knowledge to enable them to spend quickly.**

Although councils and other public bodies were involved in designing individual funds, the extent to which they shaped the overall financial response was limited. Delivering Covid-19 funding placed a considerable resource burden on councils and public bodies.

**4 The Scottish Government has managed its overall budget effectively but some Covid-19 funding remains unspent.**

The Scottish Government maintained a balanced budget and has, to date, broadly allocated additional UK funding to Covid-19 measures in Scotland. Up to December 2021, the Scottish Government spent an estimated £11.8 billion on its Covid-19 response. At the end of 2020/21 over £2 billion was added to reserves by the Scottish Government, councils and health and social care integration authorities. Using reserves to manage spending between years is good financial management, but there is a risk it will not be clear how Covid-19 funding held in reserves is spent over time.

**5 It is vital for transparency and financial planning that the Scottish Government and other public bodies are clear about how one-off Covid-19 funding has been spent, including where spending commitments may last for several years.**

Public services faced financial pressures before the pandemic. Covid-19 funding was used to ensure the financial sustainability of councils and other public bodies. But now Covid-19 specific funding from the UK Government has ended, pre-existing pressures must be balanced alongside continuing spending demands related to the Covid-19 response and recovery.

**6 More work is needed by the Scottish Government to show how the wide range of Covid-19 spending measures have worked together to address the harms caused by the pandemic.**

To date, there has been limited evaluation of the financial response. Such an evaluation will be challenging due to information not always being available or centrally collated. Information on how quickly money reached those it was intended to help and the difference it has made is limited. It is critical the Scottish Government collect relevant data to understand the difference its interventions have made, and to plan for a recovery that meets its wider national priorities.

---

# Recommendations

## The Scottish Government should:

- Improve the transparency of public finances to support scrutiny of Covid-19 funding and spending measures by:
  - publishing comprehensive Covid-19 financial reporting information which clearly links budgets, funding announcements and spending levels
  - continuing to identify and fill gaps in spending and performance data in areas such as business support.
- Review financial decision-making processes during the pandemic to:
  - identify elements of good practice from streamlined decision-making procedures to be maintained and integrated into existing processes
  - learn lessons and consider how financial management and budget processes can be reformed to improve in-year financial reporting
  - determine how it can better use data when making financial decisions quickly.
- Review and collate the completed finance accountability framework forms ([paragraphs 38–43](#)) to understand the extent to which they were completed, how spending decisions relate to each other and their collective impact alongside UK measures, and to inform any future assessment of the impact of the financial response.

## The Scottish Government, councils, NHS boards and integration authorities should:

- Improve the transparency of public finances to support scrutiny of Covid-19 funding and spending measures by:
  - collecting, drawing together and analysing Covid-19 funds data to establish how much money was spent, where, and how quickly it was issued and received
  - reporting through their accounts and management information how Covid-19 funding held in reserves has been spent, and the extent to which Covid-19 funded spending commitments will exist in future years

- reviewing their medium-term and longer-term financial plans to reflect the ongoing impact and financial consequences of the pandemic. This should include the longer-term impact on resources and potential costs of continuing to support citizens and restore lost income.
- Continue to monitor and report on fraud and error arising from Covid-19 business support payments to ensure that processes are working in practice, funds are allocated correctly, and steps are taken to recover funds paid in error.
- Work together to learn lessons from the financial response to the pandemic by:
  - collecting and sharing findings from their response, including financial information to demonstrate the impact the spending has had and to allow others to benefit from good practice
  - considering what systems should be in place to enable consistent spending information to be collected while minimising the administrative burden
  - collectively understanding the ongoing challenges and longer-lasting impacts of the pandemic which will allow them to work together to recover
  - developing robust processes which will improve the public sector response to future crises or other cross-cutting issues, such as climate change and child poverty
  - evaluating whether Covid-19 spending delivered the desired outcomes.

# Introduction

## Background

**1.** Covid-19 is the biggest fiscal and policy challenge faced by the Scottish Government, councils, and other public bodies since devolution. The effect on Scottish society has been wide-reaching and unequal, and the impact on public finances unprecedented. Staff across the Scottish public sector have worked hard for over two years to respond to, and minimise the impact of, the pandemic. While the emergency phase has now passed, the Scottish Government, councils and other public bodies continue to direct public spending in response to the pandemic at the same time as developing and implementing plans for funding recovery. The impact on public finances will continue for many years.

**2.** All Auditor General and Accounts Commission work relating to Covid-19 and public finances more generally can be found on our [Covid-19 e-hub](#).

## About this report

**3.** This report outlines the fiscal context in which the Scottish Government, councils and public bodies have been operating since March 2020 and provides a high-level analysis of their financial response to the Covid-19 pandemic. It draws on evidence gathered from across the public sector as well as previous Accounts Commission and Auditor General reports to make judgements about the overall financial response. These reports were published at different points throughout the pandemic and we are aware that the response is continuing.

This report considers:

- how decisions were made about where Covid-19 funding should be spent
- the challenges of fast-paced and high-volume decision-making about public spending, in a context of financial uncertainty and existing policy commitments
- the effectiveness of the governance and management of the financial response
- how money flowed through the system from the UK and Scottish governments to people, public services and organisations, and how the impact of spending has been evaluated.

**4.** We gathered our evidence from across the Scottish public sector, including the Scottish Government, the Convention of Scottish Local Authorities (COSLA) and a sample of ten public bodies.<sup>1</sup> Because of the large number of Covid-19 spending programmes, we also selected a sample of ten Covid-19 funds to allow a more in-depth look at some areas of Scottish Government spending and to track funding as it flowed through the system to recipients. Further details about the sampling methodology are given in the [Appendix](#).

**5.** Throughout the report we talk about three aspects of public spending, namely:

- **Announcements** – made by the Scottish Government about how it plans to spend public money in response to the pandemic.
- **Allocated** – the amount set out by the Scottish Government in budget documents or revisions. These are formal authorisations of how the Scottish Government intends to spend its budget.
- **Actual spending** – the money ultimately spent on Covid-19 programmes. The Scottish Government records payment to other public organisations as actual spending. These bodies then direct the funds towards Covid-19 measures. This may mean that these funds have not yet necessarily been paid to the people or organisations they are intended to support. We have reported actual spending to December 2021. The actual spending data we use for 2021/22 is estimated spending for the first nine months of the year.<sup>2</sup> The Scottish Government will publish provisional actual spending data for the full 2021/22 financial year in June 2022.

# 1. Deciding the public financial response

## The Scottish Government responded quickly to a very difficult situation

### The pandemic has required an unparalleled financial response from all levels of government

**6.** The public health crisis caused by Covid-19 has had a profound effect on every aspect of Scottish society. Throughout the pandemic, the Scottish Government, councils and other public bodies have had to make decisions quickly and manage public finances in a fast-moving and unpredictable environment.

**7.** The Scottish Government has allocated £15.5 billion to its Covid-19 response in 2020/21 and 2021/22. So far, it has reported estimated actual spending of £11.8 billion up to December 2021 on measures related to the pandemic.<sup>3</sup> This was funded mainly through additional **Barnett consequentials** arising from UK Government spending on Covid-19, alongside reallocations within its underlying budget. Total spending for all of 2021/22 will be reported by the Scottish Government later this year.

**8.** Since March 2020, the Scottish Government has announced over 300 separate spending measures relating to Covid-19, many of which directly affected the finances of councils and other public bodies.

[Exhibit 1 \(page 11\)](#) shows that more funding was announced immediately ahead of the country entering periods of restriction.



### **Barnett consequentials**

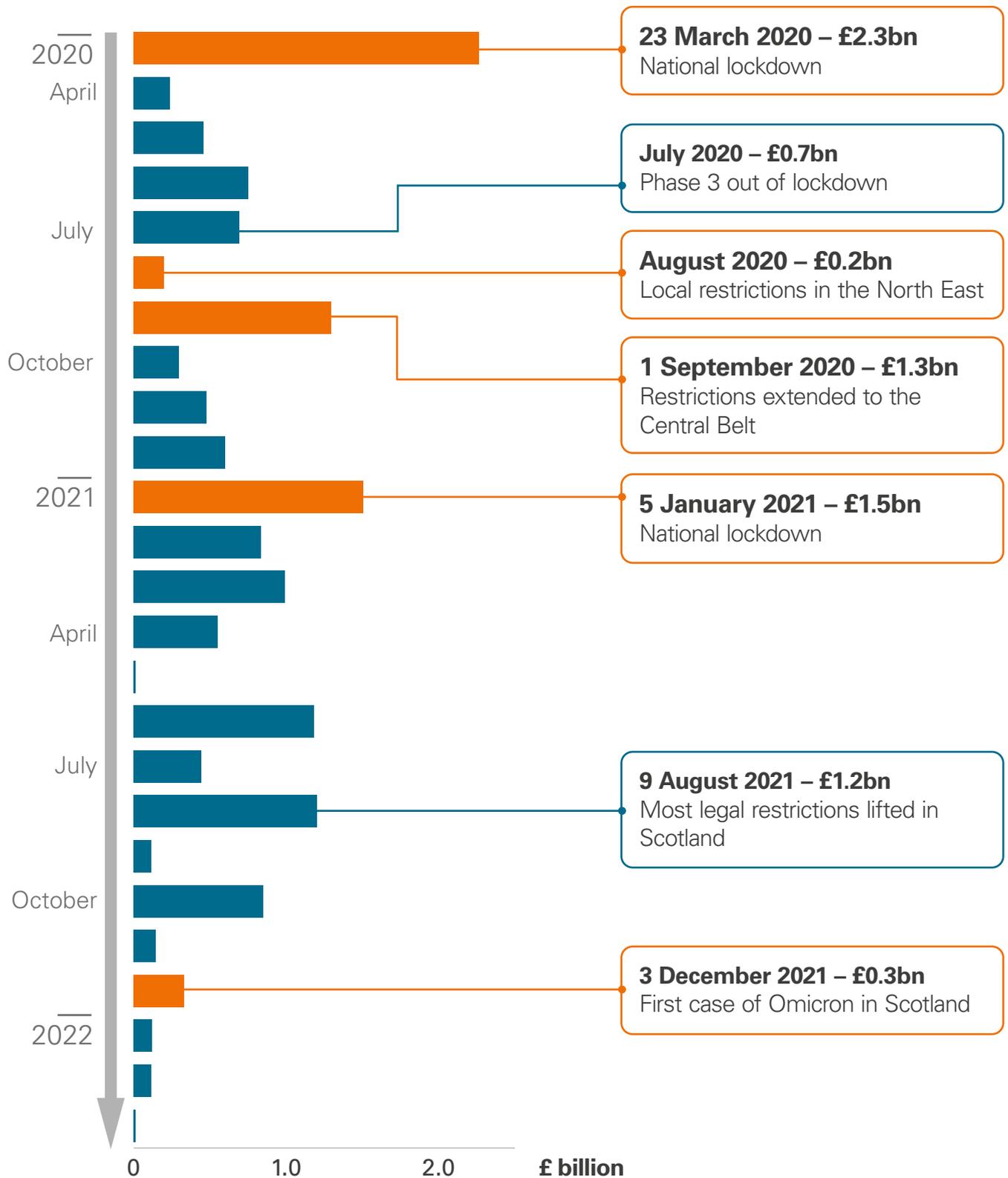
Additional funding comes to Scotland when the UK Government spends money in England in a devolved policy area. The Scottish Government receives this funding in the form of Barnett consequentials and has flexibility in deciding how to allocate this funding.

Our [briefing on the operation of the fiscal framework](#) gives more information on how the Scottish Government is funded.

## Exhibit 1.

### Scottish Government spending announcements

The Scottish Government announced increased levels of Covid-19 spending when the country was entering new restrictions.



Source: Scottish Government announcements, Audit Scotland analysis

## The Scottish Government's decision-making framework focused its pandemic response on four harms

9. In April 2020, the Scottish Government published its [Coronavirus \(Covid-19\): framework for decision-making](#) in which it defined four interrelated harms of the pandemic ([Exhibit 2](#)). This four harms framework set the intention for the Scottish Government's decisions about how to respond to the pandemic, including those with financial implications.

### Exhibit 2.

#### The four harms of the pandemic

The Scottish Government defined four harms of the pandemic which informed its decisions, including those with financial implications.

 <b>The Four Harms</b>	<b>Examples of funding</b>	<b>Actual spending 2020/21, £m</b>
<b>Direct health</b> Covid-19 has caused direct and tragic harm to people's health, reflected in hospital and intensive care admissions and the number of deaths.	Personal Protective Equipment Test and Protect NHS Louisa Jordan	448 130 57
<b>Indirect health</b> The virus has had a wider impact on health and social care services and how people are using those services in both the short and longer term.	Social care Primary care Mental health services	196 62 7
<b>Societal</b> Restrictions introduced to reduce the direct harms of the virus have caused broader societal harms (eg, the disruption to education and increased levels of mental ill-health).	Communities' hardship fund Free School Meals and Community Food Digital inclusion for learning	50 56 24
<b>Economic</b> All aspects of the economy from the provision of goods and services to taxes to fund public services, employment and income levels have been affected.	Covid-19 business support (including non-domestic rates relief) Support for rail	3,418 421

Source: Scottish Government, Audit Scotland analysis

**10.** The Scottish Government set out its intentions and priorities for Covid-19 spending through regular briefings to the public and Parliament. These initially focused on health and business priorities. As the pandemic progressed, these briefings increasingly focused on the economy and wider societal harms.

## The UK Government's schemes influenced the Scottish Government's financial response to the pandemic

### The Scottish Government worked closely with the other governments in the UK when developing their response

**11.** When making decisions about the restrictions to impose on their populations, the countries of the UK worked closely together through a four-nations framework. This approach supported some consistency across the UK while allowing each government's response to reflect its judgement on the challenges faced at each point.

**12.** The Scottish Government worked closely with **HM Treasury** to understand the funding available. It sought more certainty on Barnett consequential and discussed additional **fiscal flexibilities** that it considered necessary. At key stages of the pandemic the Scottish Government was having daily calls with HM Treasury.

### UK Government spending programmes were a key component of the pandemic response

**13.** The UK Government has supported Scottish citizens and businesses through UK-wide spending programmes. These have been an important element of the pandemic response and include:

- the Coronavirus Job Retention Scheme (furlough) which ran between March 2020 and September 2021 and supported 911,900 Scottish jobs, affecting 26 in 100 working age people in Scotland
- the Self-Employment Income Support Scheme which provided 175,000 self-employed people in Scotland with grants totalling £1.7 billion
- the Coronavirus Business Interruption Loan Scheme and the Bounce Back Loan Scheme which provided £4.1 billion of loans to 99,792 businesses in Scotland. The Future Fund also provided 23 loans valued at £8.3 million to businesses in Scotland
- the Eat Out to Help Out scheme which helped support 4,775 hospitality businesses in Scotland throughout August 2020, with the value of discount claimed totalling £42.9 million.

#### HM Treasury

UK Government department responsible for delivering public finance policy, including distributing funding to the Scottish Government.

#### Fiscal flexibilities

Financial powers that the Scottish Government and councils have to help them address specific local circumstances.

## **The Scottish Government had to consider UK Government support as it decided how to respond financially to the pandemic**

**14.** We found that consideration of the schemes operating elsewhere in the UK was an important component of the Scottish Government's decision-making. The Scottish Government clearly understood that some restrictions (for example a full lockdown) would be very difficult to implement without related UK Government financial support being in place.

**15.** The needs of the pandemic were similar across the UK and so a similar response was often required. In our [Tracking the impact of Covid-19 on Scotland's public finances](#) report, we describe how the Scottish Government allocated the 2020/21 Covid-19 Barnett consequential broadly in line with the UK spending from which they arose.

**16.** The Scottish Government amended some schemes in ways it considered best suited Scotland's needs. For example:

- The £50 million hardship fund was for councils to use flexibly to support their resilience and hardship funds, whereas in England the funding was intended to support council tax relief.
- The UK Government launched a scheme to compensate councils for the loss of income experienced due to Covid-19. This scheme was delivered slightly differently in Scotland, and COSLA helped to determine how the £200 million fund operated, including how funding was distributed among councils.

**17.** The Scottish Government also developed specific schemes for Scotland to help fill gaps it saw in how existing Covid-19 financial support met local needs. For example:

- **Pivotal Enterprise Resilience Fund** – enterprise agencies delivered this fund to businesses vital to local economies. The enterprise agencies developed the fund to fill gaps in pre-existing UK Government business support funds.
- **Moray and Glasgow Localised Restrictions Funds** – the Scottish Government provided additional support to businesses in Moray and Glasgow while they remained under restrictions for longer than other parts of Scotland.

## **Scottish ministers' overarching commitments to spending Covid-19 funding made budget management more complex**

**18.** The Scottish Government committed to spending all Covid-19 Barnett consequential on its pandemic response and announced:

- in March 2020, that all business support Covid-19 Barnett consequential would be applied to Scottish business support measures

- in March 2020, that all health and social care Covid-19 Barnett consequential allocations would be applied to health and social care in Scotland
- in November 2020, that all funding derived from Covid-19 Barnett consequential allocations would be applied to Covid-19 spending.

**19.** Implementing these commitments meant that the Scottish Government needed to understand the details of the Barnett consequential allocations. The speed of change of the pandemic and the timing of announcements meant that the Scottish Government had to make some decisions based on figures that were provisional or lacked the full details. This made managing budgets and commitments more difficult.

## The Scottish Government and councils streamlined their governance arrangements to help them respond more quickly to the crisis

**20.** In the [Auditor General's report on the audit of the 2020/21 Scottish Government Consolidated Accounts](#), he concluded that the Scottish Government had strengthened aspects of its governance arrangements to allow faster decision-making in response to the Covid-19 crisis.

**21. Internal audit** activity within the Scottish Government was redirected towards the Covid-19 response and some audit and assurance staff were redeployed into key areas (such as health finance and Covid-19 business support). This was to enable internal auditors to advise on new practices and frameworks, support assurance activity and help maintain a clear audit trail of decisions. This redeployment of internal auditors limited the level of internal audit scrutiny of how key spending decisions were made within the Scottish Government, as it prioritised other activities during the emergency phase of the pandemic. Although this is reasonable, given the need to redeploy staff in a pandemic, internal audit should consider how it will retrospectively consider Covid-19 spending in its future plans. Internal auditors in Scottish Enterprise and South of Scotland Enterprise carried out reviews as grants were developed as part of their control arrangements.

**22.** The [Accounts Commission's Local Government in Scotland Overview 2021](#) found that councils made swift changes to governance arrangements at the start of the pandemic. This involved some councils suspending meetings and others creating specific Covid-19 committees. Since then, councils have continued to adapt and now offer online and hybrid meetings.

### Internal audit

carry out a range of tasks in order to provide an independent and objective evaluation of an organisation's financial and business activities.

## The urgency of the pandemic required changes to normal financial decision-making processes

**23.** The necessary speed of the response to the pandemic meant that some standard decision-making processes were not possible, such as the use of governance boards and options appraisals. These processes enable more considered and robust decision-making but take longer. In some cases, the Scottish Government would announce a response to a problem within hours or days of it arising.

**24.** Often **Cabinet** made the high-level decisions about where funding should be directed, drawing on advice from the Scottish Government **executive team**. Government officials then developed the spending proposals in consultation with the relevant Cabinet Secretary. The relevant **accountable officers** (the permanent secretary, directors-general and public body chief executives) were then responsible for delivering the proposal.

### It took too long for the Scottish Government to establish some governance arrangements

**25.** There was no overall Covid-19 expenditure governance board to collate and review the collective impact of financial decisions. Financial decisions were considered through existing governance structures such as management teams, assurance committees and the Scottish Government audit and assurance committee. But it is not always possible to follow how decisions were monitored and scrutinised.

**26.** Some **directorates**, such as health finance, quickly altered existing structures to manage the financial response, while others, such as business support, developed new structures. New structures evolved throughout the pandemic, although some key structures were only formalised almost a year after the pandemic started, including:

- a Covid-19 Business Resilience and Support Directorate in March 2021, to oversee a collective response to Covid-19 and the resulting economic shock
- a Business Support Governance Group and a steering group in early 2021, to assess levels of assurance and improve delivery of business support grants respectively
- an Information Governance Board in summer 2021, to oversee the collection and retention of information on the Covid-19 response.

### The way that public bodies engaged with their stakeholders had to change

**27.** The situation meant that the Scottish Government and public bodies had to change how they engaged with their stakeholders. They needed to build on existing relationships and develop new ones, and the success of this engagement varied. Some bodies and groups felt that their needs

#### Cabinet

The Cabinet is the main ministerial decision-making body of the Scottish Government. Cabinet Secretaries are responsible for different areas of government business.

#### Executive team

The executive team is the senior civil servant group within the Scottish Government. It is responsible for implementing the policies of the Scottish Cabinet.

#### Accountable officers

Officials within the Scottish Government and public bodies who are responsible for the finances and performance of their portfolio.

#### Directorates

The Scottish Government is organised into a number of directorates, each of which has responsibility for a different policy area.

were not addressed and highlighted a need for better engagement with stakeholders when designing future support. The Scottish Government and public bodies should capture what worked well and what didn't to inform future engagement.

- For business support funds the Scottish Government established two groups in March and April 2020. Membership included COSLA, the Improvement Service, SOLACE (Society of Local Authority Chief Executives) and local authority directors of finance. These groups helped shape the guidance and eligibility criteria of early business support. They were formalised from March 2021 through the Business Support Steering Group, which was established to manage and review existing funds and help develop new funds. This group included representatives from COSLA, chief executives of the public bodies delivering the grants, council economic development officers and Scottish Government economists. The Scottish Government told us it also had regular engagement with the business sector.
- The Scottish Council for Voluntary Organisations (SCVO) worked closely with officers and ministers to deliver the Wellbeing Fund. This was developed in partnership with Scotland's 32 **third sector interfaces**.
- In November 2020, the Scottish Parliament's Economy, Energy and Fair Work Committee published a report [Covid-19: Impact on businesses, workers and the economy and pre-budget scrutiny](#). It included feedback from some bodies who felt consultation with businesses by enterprise agencies could have been better. This included Women's Enterprise Scotland, who said they were not asked to contribute to the development of support or the appropriateness of mechanisms in place, and the Highland Food and Drink Club, who felt the consultation process had been poor in comparison to the tourism sector.
- The Scottish Government did not involve relevant stakeholders before allocating funding for parts of the £350 million Supporting Communities Fund.

**28.** The Auditor General and Accounts Commission's [Community empowerment: Covid-19 update](#) reported that community planning partnerships and the voluntary sector were vital in supporting and empowering people and communities to support the most vulnerable in society during the pandemic. In areas where existing relationships were stronger, some communities were able to provide a faster and more targeted response. This enabled rapid allocation of funding to well-established organisations supporting those most affected by Covid-19.

### Third sector interfaces

provide a single point of access for support and advice for voluntary organisations in each local authority area.

## It is difficult to establish a clear and transparent decision-making trail for some funds

**29.** The scale, breadth and pace of funding announcements created challenges for the Scottish Government in maintaining a clear audit trail of decisions. From the start of the pandemic, it told staff that they were bound by existing financial guidance and that all decisions had to be evidence-based, transparent, accountable and legal.

**30.** Despite this, for many of our sample funds we found it difficult to see how some financial decisions were reached because information is held across different parts of the organisation and was not always recorded consistently. The extensive temporary redeployment of staff during the pandemic has also made it difficult to follow past decisions.

### The data available to support quick financial decisions varied

**31.** Some Scottish Government directorates and partners have well-established processes for understanding the costs they will face, and they used data well to help assess the funding needed through the pandemic. For example, health finance drew on its financial monitoring of NHS boards. However, for some of our sample funds it was difficult to see how data was used to determine the overall amount of funding initially directed towards an issue. For example, it is not clear how or if the Scottish Government used data to determine the overall funding allocation for the £350 million Supporting Communities funding package.

**32.** Once the Scottish Government allocated funding to a specific area of support, it then used available data to inform and design funds. At times it was limited by the information available. Looking at a sample of Covid-19 funds we found that:

- the **Settlement Distribution Group** met frequently and used available data to determine individual council funding allocations, for example Department for Work and Pensions (DWP) data to determine individual council funding allocations for managing the Food Fund
- Skills Development Scotland used actual and forecast data on modern apprenticeships, showing a 73 per cent reduction in placements by September 2020, to inform the creation of the Apprenticeship Employment Grant
- the Scottish Government and councils used non-domestic rates (NDR) data to identify over 27,000 businesses that operate in high-risk settings and would be eligible for capital support for ventilation improvements. This helped manage potential over-spending and informed analysis when considering an expansion of the fund
- an evaluation by the Scottish Government of early business support found that a lack of data on smaller businesses fuelled gaps in support and a reliance on the rates system.

### The Settlement Distribution Group

is an existing joint group attended by Scottish Government, COSLA and local authority officials. The SDG considers any new local government funding and distribution, while providing a forum for officials to discuss future issues. Decisions taken at the SDG are then passed to COSLA leaders and Scottish Ministers for approval.

**33.** Effective use of good-quality data is key as the Scottish Government, councils and public bodies plan for a recovery that meets their wider priorities. Good data allows more accurate financial forecasts and makes budget management easier. It can also alert decision-makers to the challenges facing their constituents, the extent of future funds needed and the effectiveness of interventions. The Scottish Government should review its pandemic financial decision-making processes to determine how it can better use data when making financial decisions quickly.

**34.** The Accounts Commission's [Local Government in Scotland: Overview 2022](#) highlights the need for better data to support decision-making and target resources.

**The Scottish Government considered equalities at a high level when deciding how to respond to the pandemic, but did not always clearly document the expected impact of spending decisions on equalities outcomes**

**35.** The Scottish Government expressed a clear overarching intention for Covid-19 spending to be aligned with **National Performance Framework** outcomes. Our analysis of sample funds found that while the intended outcomes of individual funds were clear, there is little mention of specific links to the National Performance Framework, the four harms or equalities priorities.

**36.** The Scottish Government carried out equality impact assessments (EQIAs) for its overall response to the pandemic, for example for the route map out of lockdown in July 2020 and when it moved to local restriction levels in October 2020. These were to assess the impact of restrictions on particular groups rather than the impact of the subsequent spending decisions.

**37.** In March 2022, the Auditor General and Accounts Commission's briefing on [Scotland's economy: Supporting businesses through the Covid-19 pandemic](#) highlighted that the Scottish Government used the overarching EQIA, completed in October 2020, when developing business support grants. In late 2021, the Scottish Government completed a series of EQIAs on individual business support funds. These showed that general business funding supported specific demographic groups – such as younger people working in hospitality, leisure and retail that were over-represented in certain areas of the labour market.

**The Scottish Government introduced a useful process to inform financial decision-making, but it was not used consistently nor was the information collated**

**38.** The Scottish Government had to manage a volatile budget and ensure that it had the funding to meet the commitments it was making throughout the pandemic. To help with this, it quickly introduced a new expenditure assessment and approval process, the Finance Accountability Framework (FAF), in mid-March 2020.

**National Performance Framework**

Launched by the Scottish Government and COSLA in 2018. The NPF sets out 11 long-term outcomes for Scotland, underpinned by 81 indicators against which progress can be measured.

**39.** The FAF applied to the Scottish Government and public bodies but not councils, as these have their own governance arrangements. Central to the FAF is a form that must be completed to record the approval by accountable officers and the Scottish Government's chief financial officer for all spending over £1 million that is not already in the budget. It must then be signed off at a ministerial level by the relevant Cabinet Secretary, the Cabinet Secretary for Finance and the Deputy First Minister.

**40.** We reviewed assessments and approvals for a sample of funds. We found the FAF provided detailed information that supported good financial decision-making and budget management, for example on:

- how spending would be funded and what could be reprioritised to fund it
- the impact if spending did not go ahead
- similar schemes in the UK
- longer-term financial implications.

The FAF does not include a prompt on how the proposal would address the four harms or contribute to National Outcomes that would demonstrate a clearer link between spending and priorities.

**41.** Completed FAFs are retained by the directorate responsible for the spending and are not collated centrally. The forms hold a wealth of information about the intention and expected impact of spending programmes. This could have been better used, for example to inform reviews of the overall impact of Covid-19 spending on particular groups and to allow the Scottish Government to learn lessons for future spending.

**42.** The Scottish Government cannot confirm that all spending over £1 million outside the budget has an associated completed and approved form. An internal audit report, in the summer of 2020, found cases in which FAFs were not completed as required and recommended that the Scottish Government raise awareness of the process. Internal audit also recommended that the Government should monitor FAF completion rates, to provide assurance that the correct processes have been followed. This monitoring has not happened yet.

**43.** The Scottish Government should review and collate the completed FAFs to understand the extent to which they were completed, how budget decisions relate to each other, their collective impact alongside UK measures, and to inform any future assessment of the impact of the financial response.

## 2. Managing overall financial implications

### The Scottish Government managed its overall budget well, but struggled to maintain transparency, which limited scrutiny

**44.** The Scottish Government had to manage an uncertain and quickly changing budget, making sure it could meet the financial commitments made throughout the pandemic. The initial response required large amounts of additional public spending without a clear understanding of how this would be funded. As the pandemic progressed, the Scottish Government monitored expected funding and spending closely, allocating available funding while keeping within overall budget limits.

**45.** In total, over the two years of the pandemic the Scottish Government has allocated £15.5 billion in its budgets to its Covid-19 response. This was funded largely from £14.4 billion of Barnett consequentials arising from spending on Covid-19 in **devolved areas** in England. The remaining £1.1 billion has been funded by redirecting existing budgets and from the **Scotland Reserve**.

**46.** As the Scottish Government moves into the recovery phase of the pandemic, it is becoming increasingly hard to define what is, and is not, Covid-19 spending. Recovery from the pandemic is closely linked to other wider government goals, such as economic development. The UK and Scottish budgets for 2022/23 do not include any specific Covid-19 funding. Nonetheless, transparency over spending and budget management processes will remain vital.

### Episodic budget management and scrutiny processes are not designed for high levels of change

**47.** During the pandemic, the Scottish Government had to adapt its budget to respond to the needs of the pandemic and the additional funding it received from the UK Government. This was challenging for a **budget management** process that operates through episodic updates.

**48.** Since March 2020, the Scottish Government has made over 300 spending announcements on its Covid-19 response. These announcements were not envisaged when the budget was developed in February 2020, so they were subsequently included in formal budget revisions during the year. The Scottish Government published an additional Summer Budget Revision in May 2020, in response to the scale of changes to the budget in early 2020/21.<sup>4</sup>

#### Devolved areas

Areas of spend that the Scottish Government has responsibility over. This includes areas like education, health, and transport.

#### Scotland Reserve

The process whereby any underspend in the Scottish Budget can be carried forward to be used in future years. It is capped at £700 million.

#### Budget management

The Scottish Government publishes its proposed budget in the winter prior to the new financial year. It is then scrutinised by Scottish Parliament through a multi-stage budget process.

The episodic budget revision process allows the Scottish Government to make changes to its spending plans (as set out in the Scottish Budget) during the year. Usually these are produced twice a year, in the autumn and spring.

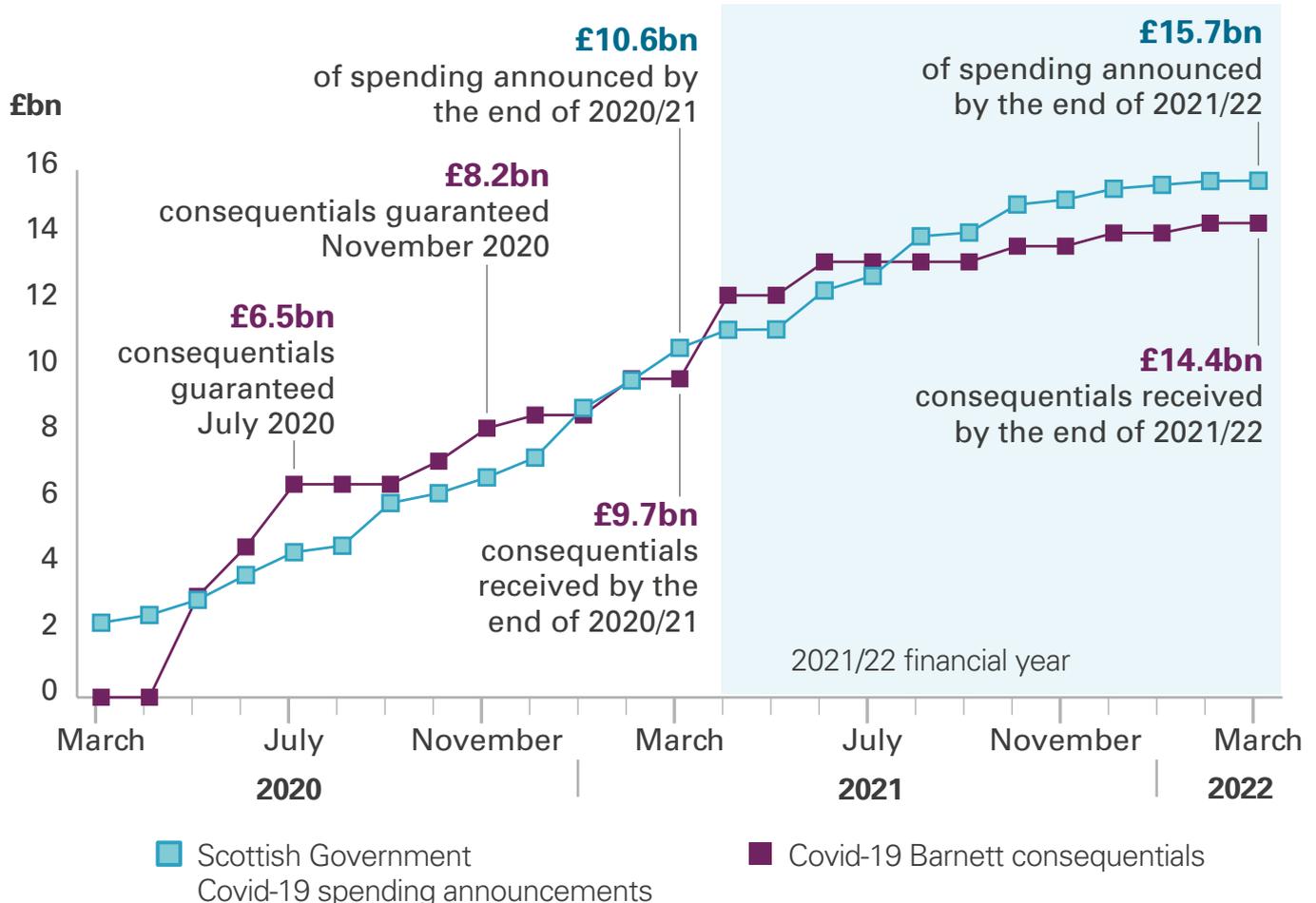
## The Scottish Government has announced more spending than it has received in funding

**49.** In the initial weeks of pandemic, the Scottish Government announced more Covid-19 spending than was covered through Covid-19 Barnett consequentials. Over the summer of 2020, following additional funding from the UK Government, the Scottish Government's spending announcements amounted to less than the confirmed Barnett consequentials received. From January 2021 announcements tracked available funding more closely. The Scottish Government has announced more spending than it has received in additional funding since July 2021, with the difference funded through redirecting some existing budgets and the Scotland Reserve ([Exhibit 3](#)).

### Exhibit 3.

#### Scottish Government spending announcements and Covid-19 Barnett consequentials received since March 2020

The Scottish Government received £14.4 billion in Covid-19 Barnett consequentials during the pandemic and has announced £15.7 billion of spending.<sup>1</sup>



Note 1. The Scottish Government announced slightly more spending than it allocated in its budgets (£15.5bn), this is because some details changed as funds were developed and costs were confirmed.

Source: UK Government Block Grant Transparency, Scottish Government announcements and Audit Scotland analysis

**50.** From July 2020, the UK Government temporarily changed the way it provided funding to Scotland through the Barnett consequential. Instead of Covid-19 Barnett consequential being generated from spending decisions in England, the UK Government guaranteed the amount it would give before confirming the change in UK spending. This gave the Scottish Government more certainty about the funding it would have to respond to the pandemic. Funding was only guaranteed for 2020/21 and was provided through a series of announcements during the year.

## **The Scottish Government, councils and other bodies worked well together to respond to the pandemic**

### **The Scottish Government allocated significant additional funding to public bodies to enable key front-line services to keep operating**

**51.** During the pandemic many services, such as routine medical appointments and economic development work, could not continue, especially during periods of extreme restrictions. Where activity was paused, resources were diverted to the front-line response. The Scottish Government protected existing budgets throughout the pandemic which meant that public bodies retained most of their capacity as restrictions eased. It allocated additional funding to bodies to allow them to keep offering their normal services or do more of what they usually do. For example:

- Significant amounts of funding were directed to the NHS to manage the increase in patients. This was managed through existing systems in the Scottish Government and NHS boards. The Scottish Government provided clear guidance on how spending should be monitored and reported. Detailed reporting and forecasting from NHS boards allowed the Scottish Government to provide funding as required.
- The Scottish Government gave funding to councils and other bodies to allow them to keep operating despite losing income because of the pandemic, for example from leisure centres or parking. Councils could then direct this funding towards their operating costs.

### **The Scottish Government directed a large proportion of funding to partners who had the existing systems and local knowledge to deliver funds**

**52.** Much of the Covid-19 budget was allocated to financial support schemes intended to quickly tackle the four harms. These new funds needed to be developed and distributed at speed. The Scottish Government relied on partners, such as the NHS, public bodies, councils and charities, it considered best placed to manage delivery ([Exhibit 4, page 25](#)). For example:

- NHS National Services Scotland (NHS NSS) had an existing responsibility to source personal protective equipment (PPE) for the NHS; this was expanded to include social care throughout the

pandemic. It also had the expertise to build the NHS Louisa Jordan and operate the vaccination booking system. We have published briefing papers on [PPE](#) and the [vaccination programme](#). The Auditor General's report on the [2020/21 audit of NHS NSS](#) found that the organisation was integral to Scotland's response to the pandemic.

- Business support funding was managed through local government (£3.9 billion) and enterprise agencies (£563 million) that already had details of businesses through the non-domestic rates databases and staff experienced in providing grant funding. We published a [briefing paper on business support funding](#) in March 2022.
- Charities were responsible for distributing more than £115 million of the Scottish Government's £350 million Supporting Communities Fund through their existing networks. The Accounts Commission and Auditor General's [Community empowerment Covid-19 update](#) reported that the voluntary sector was vital in supporting people through the pandemic and existing strong relationships allowed for a faster response.

**53.** Once decisions were made by the Scottish Government to provide additional funding, such spending was managed by councils and other public bodies through existing processes alongside other elements of their budgets.

### **The Scottish Government relied on established systems within councils and public bodies to detect and prevent fraud within its business support schemes**

**54.** The Scottish Government accepted a higher-than-normal fraud risk for its business support grants because of the speed at which they were set up and the need to make payments quickly. It relied on its delivery partners' existing arrangements to manage the increased risk and tasked partners with checking that applicants were eligible for grants. Over the course of the year the Scottish Government worked closely with partners and took action to minimise the fraud risk.

**55.** The Scottish Government estimated that in 2020/21 fraud and error in the business support schemes accounted for approximately £16 million to £32 million, representing no more than one to two per cent of payments. The Auditor General's report on the [2020/21 audit of the Scottish Government Consolidated Accounts](#) concluded that the Scottish Government's estimate of fraud and error was reasonable. It recommended that the Scottish Government:

- regularly assess and improve its estimates of fraud and error in Covid-19 grant schemes
- assure themselves that controls to detect and prevent fraud and error are working in practice
- ensure regular public reporting to satisfy high levels of public interest in this area.

## Councils played an important role in delivering grants on behalf of the Scottish Government, putting a significant strain on their resources

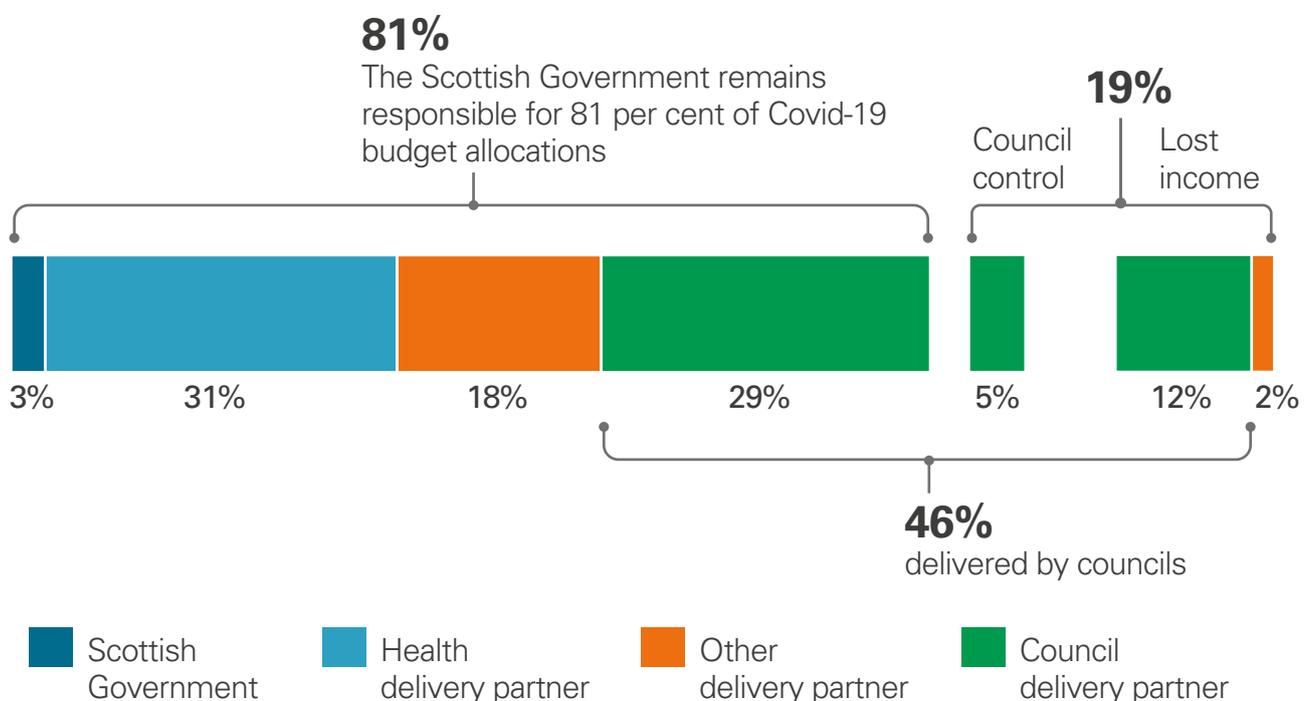
**56.** Councils agreed to administer a wide range of funds announced by the Scottish Government, resulting in significant resourcing challenges. Although the Scottish Government provided support to help cover the cost of administering the funds, the large volume of work required during some stages of the pandemic resulted in a significant increase in councils' workload. This was particularly problematic for smaller councils.

**57.** The need to issue funding quickly meant reporting requirements were lessened and decided upon by different parts of the Scottish Government. This led to differences in the type of management information available. As the Scottish Government and councils review their pandemic spending they should consider what systems should be in place to enable consistent spending information to be collected while minimising the administration burden.

## Exhibit 4.

### Who controlled the Covid-19 financial response in 2020/21?

Although delivered by partners, the Scottish Government was responsible for determining what 81 per cent of Covid-19 funding was used for.



Note: Funding was distributed to councils and other public bodies to support loss of income due to Covid-19. There was limited flexibility in how this could be allocated locally, but it had to go towards recouping any loss of income caused by Covid-19. NDR relief is included in local government lost income.

Source: Scottish Government, Audit Scotland analysis

# 3. Managing Covid-19 public spending programmes

## The Scottish Government had spent £11.8 billion on its Covid-19 response up to December 2021

**58.** The Scottish Government spent £8.8 billion in 2020/21 and an estimated £3.0 billion in the first nine months of 2021/22 on its Covid-19 response. This has been funded mostly through Barnett consequentials ([Exhibit 5](#)).

**59.** The full year data for 2021/22 is not yet available, but the Scottish Government has allocated a total of £6 billion in Covid-19 funding for the whole financial year; it therefore had £3 billion left to spend between January 2022 and March 2022. In 2020/21, the actual amount spent is less than the £9.5 billion allocated in the budgets because of lower-than-projected demand for some support schemes and some Covid-19 Barnett consequential allocations being received towards the end of the financial year.

### Exhibit 5.

#### Scottish Government Covid-19 funding, budgets and actual spending in 2020/21 and 2021/22

 (£bn)	Consequentials	Budget	Actual
2020/21	8.6	9.5	8.8
2021/22	5.8 <sup>1</sup>	6.0	3.0 (to December 2021) <sup>2</sup>
<b>Total</b>	<b>14.4</b>	<b>15.5</b>	<b>11.8</b>

Notes:

1. Includes £1.15 billion that was carried outwith the Scotland Reserve into 2021/22.

2. Estimated actual spend from March 2021 to December 2021. The full 2021/22 spending information will not be available until the Scottish Government publishes its provisional outturn report in June 2022.

Further detail on the 2020/21 position is available in [Tracking the impact of Covid-19 on Scotland's public finances: a further update](#), Audit Scotland, September 2021.

Source: UK Government Block Grant Transparency, Scottish Government, Audit Scotland analysis

**60.** Between March 2020 and December 2021, the Scottish Government estimates it has so far spent:

- £3.6 billion of £6.2 billion (59 per cent) of Covid-19 Barnett consequentials related to UK Government health and social care spending directly to health and social care budget lines
- £4.5 billion of £4.5 billion (100 per cent) of Covid-19 Barnett consequentials related to UK Government business support schemes directly to business support funds.

### **Over time, Scottish Government spending moved from direct, targeted measures to wider public sector support**

**61.** Over time, the Scottish Government's measures have increasingly changed from highly targeted, specific interventions to wider support for public services and recovery measures ([Exhibit 6, page 28](#)). This reflects its assessment of need at different phases of the pandemic. This also means that it has become harder to classify and identify Covid-19 spending over time.

**62.** Initially Covid-19 spending was closely managed and often tied to specific funding (such as individual Barnett consequentials identified by the UK Government). Increasingly, Covid-19 spending and existing spending priorities have run alongside each other. For example, the Scottish Government's spending to support economic recovery from the pandemic sits alongside its wider economic priorities and outcomes, most recently set out in [Scotland's National Strategy for Economic Transformation](#).

**63.** Such an approach recognises the relationship between spending measures across the four harms. For example, supporting a business may also support families, prevent mental health issues, and make it more likely that staff self-isolate if required to do so. This change in approach has emerged over time. In December 2021, the Scottish Government announced £375 million to support businesses through the Omicron phase of the pandemic. It confirmed that £100 million of this was funded from expected Covid-19 Barnett consequentials resulting from health spending in England.<sup>5</sup> This was intended to support businesses affected by cancellations arising from new restrictions and to limit both health and economic harms.

**64.** The Scottish Government announced commitments on how it would spend Covid-19 consequentials early in the pandemic ([paragraph 18](#)). It would help transparency if the Scottish Government explained the changes to these commitments and was clear about its developing approach. This would help Parliament scrutinise how funding was spent throughout the pandemic.

## Exhibit 6.

### The focus of spending through the phases of the pandemic

As spending announcements shifted from direct and immediate targeted measures to wider support for public services and the economy, tracking funds became more complex.

	 Phase	 Nature of announcement
2020	<b>Initial lockdown</b> March – June 2020 The start of the national lockdown in March 2020 through to the first steps out of lockdown.	<b>£3.7 billion</b> Over 94 per cent of spending announced was direct and targeted to respond to the immediate impact of Covid-19. Therefore, it was clearly defined as Covid-19 spending. This included 24 specific business support funds and business rates relief, together totalling nearly £3 billion of the £3.7 billion announced.
	<b>Summer easing</b> July – August 2020 The summer easing of restrictions across the country.	<b>£0.9 billion</b> There were fewer spending announcements over this period, with over 80 per cent of measures announced targeted towards helping businesses.
	<b>Second wave</b> September 2020 – March 2021 Regional restrictions reintroduced at different points culminating in a second national lockdown in January 2021.	<b>£6.0 billion</b> The balance of spending shifts towards supporting health and social care and other public services through just under 80 separate announcements. The tracking of spending becomes more complex as Covid-19 spending increasingly supports services and pay awards, with financial management and discretion over spending arrangements passing to NHS boards, councils and others.
2021	<b>Emerging from the pandemic</b> April – November 2021 Restrictions were gradually relaxed across Scotland with different council areas progressing through the level systems.	<b>£4.5 billion</b> Over 70 per cent of this total amount was allocated to health and social care. It becomes increasingly difficult to distinguish between Covid-19 and non-Covid-19 funding, as public services manage the indirect impact on normal services alongside direct Covid-19 effects. Over 63 per cent of funds announced were geared towards supporting recovery from the pandemic.
	<b>Omicron</b> December 2021 – March 2022 Some restrictions reintroduced over Christmas then gradually eased.	<b>£0.6 billion</b> The majority of this was to support businesses deal with the reintroduction of restrictions with £375 million supporting four different funding announcements.
2022		

Source: Audit Scotland, based around the Scottish Government's announcements

## The Scottish Government does not have complete information on actual spending across the range of its Covid-19 programmes

**65.** The main areas of Scottish Government spending on the Covid-19 response were:

- business support (including sectoral support) – £3.4 billion in 2020/21 and £1.2 billion to December 2021/22
- health and social care – £2.8 billion in 2020/21 and £862 million to December 2021/22
- local government – £1.2 billion in 2020/21 and £502 million to December 2021/22
- transport – £646 million in 2020/21 and £247 million to December 2021/22.

**66.** Much of this funding was delivered by councils and other public bodies, including the £4.6 billion business support funding. [Exhibit 7 \(page 30\)](#) shows how the funding flowed from the Scottish Government to intended recipients, sometimes through delivery partners. For the purposes of comparing its own spending against budget, the Scottish Government treats these funding payments as spending in accordance with established accounting requirements, although at that point the funds will not have reached the recipient.

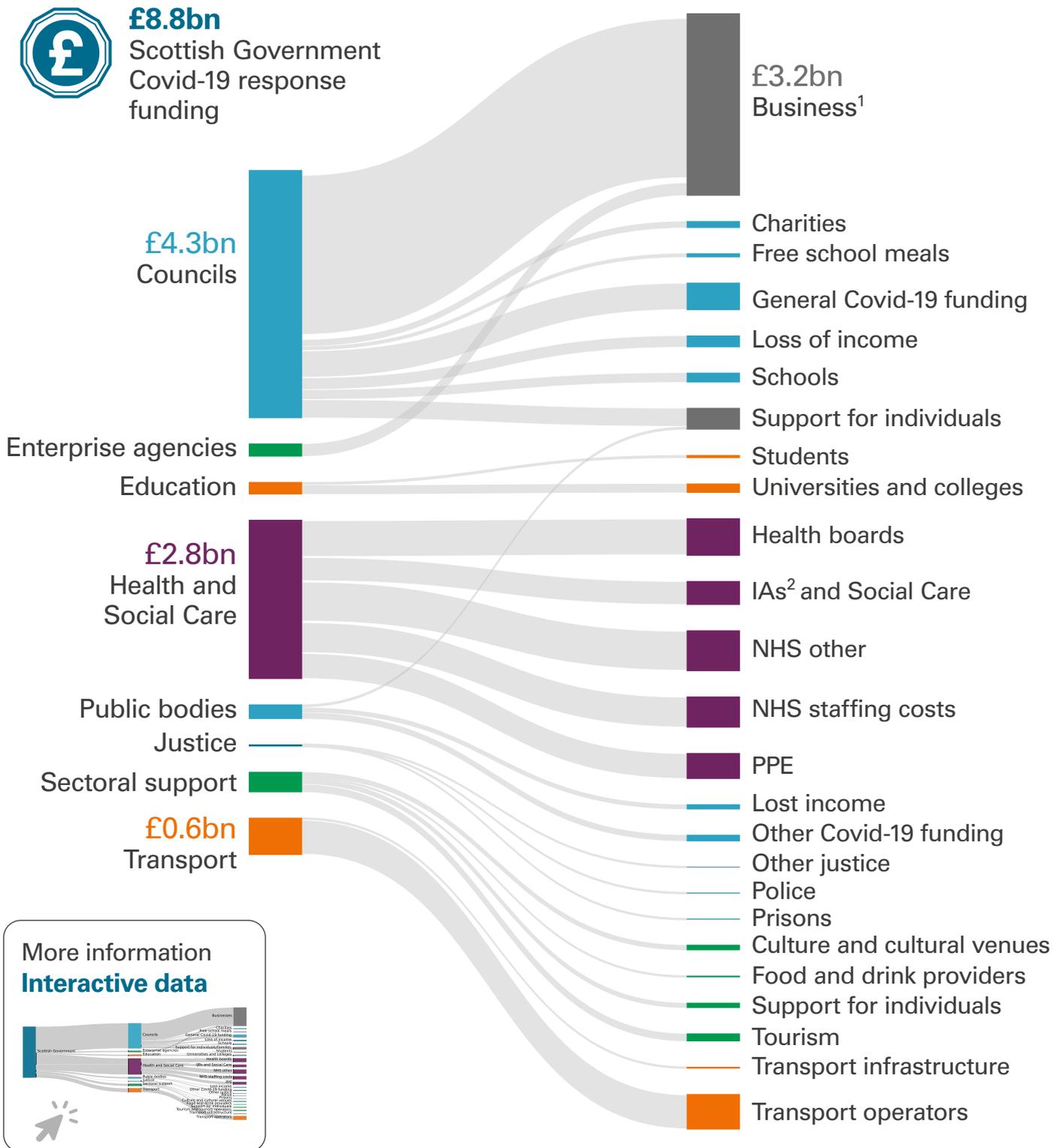
**67.** These timing and classification differences mean that it is not straightforward for the Scottish Government to track how much of the funding provided has ultimately been spent by the public bodies administering it. The Scottish Government's budget management focuses on the funding it has provided. It would need to seek and collate additional information from the relevant councils and other public bodies to know how much of the funding provided has actually been spent at any point in time. While the Scottish Government has compiled such information for some spending programmes, it does not have complete information on actual spending across the range of its Covid-19 programmes. Scottish Government budgets are managed within individual portfolio areas which did not record Covid-19 spending consistently.

**68.** The Scottish Government also had difficulties in tracking actual spending because its budget processes were not designed to separate specific spending in areas across portfolios. Covid-19 funding was allocated to directorates, such as health or the economy, as part of their overall funding. Directorates applied judgement over what constituted Covid-19 spending and managed over- and under-spends as part of their overall spending. Covid-19 spending is not a budgetary or accounting classification and so is not consistently recorded by the Scottish Government.

## Exhibit 7.

### Flow of spending on Covid-19 response by the Scottish Government in 2020/21

The Scottish Government’s main areas of spending in 2020/21 were business support (through councils and other delivery partners), health and social care, and councils.



Note 1. The remaining business support funding is shown as sectoral support in this exhibit

Note 2. IA – integration authority

Source: Scottish Government 2020/21 actual spending data, Audit Scotland analysis

**69.** The Scottish Government has set out priorities which will rely on understanding spending and performance information across several portfolios, for example, tackling inequalities, and addressing climate change. The Scottish Government should consider the lessons learned from Covid-19 for such issues. Priorities that aim to address cross-cutting and deep-seated issues need financial processes that can easily identify and analyse relevant spending programmes across government.

### **The Scottish Government recognises the challenge of financial transparency**

**70.** The Scottish Government recognises many of these issues in its [Scottish Exchequer Fiscal Transparency: Discovery Report](#). It gathered the views of fiscal data users as part of the report with the aim of improving the transparency of the information it publishes. The report found that:

- there are over 40 different regular financial outputs published by ten government departments or public bodies
- information on frontline spending and outcomes is fragmented and poorly signposted with poor linkages between budgets, actual spending and outcomes
- because of differing publication timescales, it is difficult to track decisions between documents
- published data is inconsistent with differing labels, levels of detail, and portfolio-naming conventions.

**71.** The Scottish Government plans to use the information gathered to improve how it presents and publishes existing financial information. This work is ongoing through its commitment to financial transparency in [Scotland's Open Government action plan: 2021 to 2025](#). The ambitions set out in the discovery report will not be implemented until 2025, and we will monitor progress through our audits.

### **The Scottish Government and councils used tools, such as reserves, to smooth Covid-19 funding between years**

**72.** The Scottish Government, councils and **integration authorities** have used tools such as reserves to smooth Covid-19 spending over time. This is partly because some Covid-19 Barnett consequential were received late in the financial year and because the demands placed on available funds will often continue into future years.

**73.** Spreading Covid-19 funding over financial years allows public services to spend money to address the harms caused by the pandemic at the time they judge to be most appropriate. Using reserves to achieve this smoothing is sensible and is an important component of good financial management.

#### **Integration authorities**

The Public Bodies (Joint Working) (Scotland) Act 2014 required councils and NHS boards to work together to deliver health and social care services to local people. The aim of the integration authorities is to ensure services are well integrated and that people receive the care they need at the right time, and in the right place.

**74.** Reserves are used in this way every year, not just when there are exceptional circumstances like a pandemic. Because of this, it is not always possible to clearly separate Covid-19 funding in reserves from other funding moved between years. At a high level, the main measures used to smooth funding between 2020/21 and 2021/22 included:

- the Scottish Government using the Scotland Reserve to carry forward £426 million into 2021/22. This included both Covid-19 and non-Covid-19 funding. The Scotland Reserve is capped at £700 million in total.
- councils adding £1.2 billion to their reserves. This was a 46 per cent increase on the previous year, largely attributable to Covid-19 funding received from the Scottish Government late in the 2020/21 financial year.
- integration authorities increasing their reserves by £437 million. This was an increase of 304 per cent, partly due to unspent Covid-19 funding.

**75.** The Scottish and UK Governments also agreed to defer £1.15 billion of 2020/21 funding to the 2021/22 Scottish budget. This was because the last tranche of additional funding was announced relatively late in the financial year. This was in addition to amounts carried in the Scotland Reserve.

**76.** Some of the estimated £8.8 billion that the Scottish Government spent on Covid-19 programmes in 2020/21 will be held in these reserves to be used in 2021/22 and later years. For example, £145.5 million of Covid-19 funding announced by the Scottish Government for additional teaching capacity to support Covid-19 would be recorded as Scottish Government spending when it is passed to local councils, albeit that some councils might not spend it until a later date. As a result, we cannot confirm that all Covid-19 funding was spent on the Covid-19 response. The amount of Covid-19 funding being carried from 2021/22 to 2022/23 in reserves will not be known until later this year.

### **It is important that the Scottish Government and local government explain clearly how they are using Covid-19 funding in reserves**

**77.** Of the £2.1 billion Covid-19 funding carried from 2020/21 into 2021/22 and beyond, £900 million has been earmarked for continuing Covid-19 spending programmes ([Exhibit 8, page 33](#)). But it is not always clear how reserves will be used:

- In their accounts, councils have earmarked at least £650 million and integrated joint boards £149 million of their reserves for the continuing Covid-19 response. The level of detail in the accounts varies and so we consider this to be an underestimate. COSLA report that funding is fully committed for 2021/22 and 2022/23.
- We have previously reported that the £237 million **capital funding** and £41 million of **financial transactions** from the UK Government

#### **Capital funding**

For spending that in the main results in a physical asset, for example a new building.

#### **Financial transactions**

A form of capital expenditure that can only be used for loans and equity investments to the private sector.

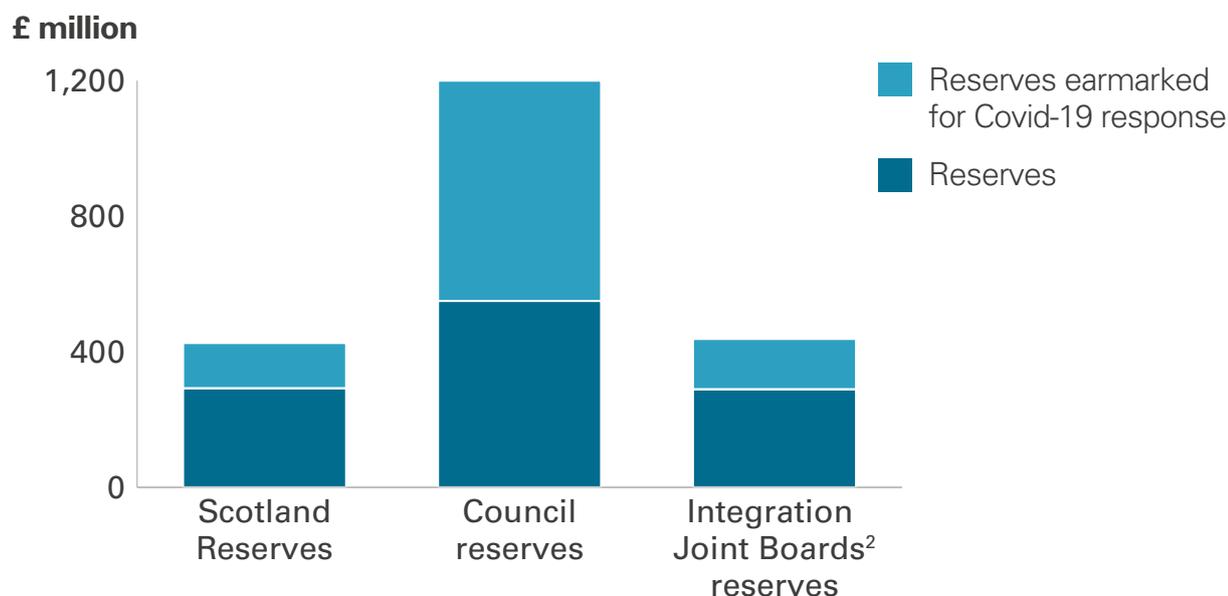
held back to 2021/22 will be used to support the overall capital budget rather than specific Covid-19 spending.

**78.** Tracking how Covid-19 funding is ultimately spent will become more difficult over time. Nonetheless, the Scottish Government, councils, integration authorities and others should set out clearly in their annual reports and accounts and other publications how Covid-19 funding carried forward through reserves is being spent. This is essential to maintain transparency and to enable effective ongoing democratic and public scrutiny.

## Exhibit 8.

### Covid-19 funding in reserves at the end of 2020/21

It is difficult to see how over £1.1 billion of Covid-19 funding was spent after it was put into reserves.<sup>1</sup>



Notes:

1. £1.15 billion of deferred Covid-19 Barnett consequentials were carried over from 2020/21 to 2021/22 outwith the Scotland Reserve.
2. Integration Joint Boards are integration authorities which can hold reserves. This covers 30 of the 31 integration authorities in Scotland.

Source: Audit Scotland

### Not all funding that the Scottish Government allocated to councils had reporting requirements which makes tracking Covid-19 funding more difficult.

**79.** Late allocations of £800 million of Covid-19 funding between February and March 2021 from the Scottish Government to councils contributed to the substantial increase in reserves. Some of this was for specific purposes, such as free school meals, while some was for councils to spend on general Covid-19 support or to cover lost income.

**80.** Although the Scottish Government can describe what the money was provided for, it was not directed in the same way as specific grant funding. COSLA monitoring data shows that less than half of funding provided to councils in the second wave of the pandemic had reporting requirements attached, compared to over 80 per cent during the initial lockdown and close to 100 per cent at other points.

**81.** Councils and integration authorities are often best placed to understand and respond to need in their local communities. It is likely that as the recovery from the pandemic continues, needs will differ between areas and spending measures to support Covid-19 recovery will vary. It is important that councils and integration authorities are clear in their accounts about how money is spent and the rationale for decisions.

### **Understanding how Covid-19 spending works alongside ongoing spending commitments is critical to financial sustainability**

**82.** Increasingly, as Scotland moves into the recovery stages of the pandemic, the Scottish Government, councils, and public bodies will need to understand how one-off, non-recurring Covid-19 funding has worked alongside the rest of their budgets. This will help them to understand and respond to the financial risks ahead, as significant Covid-19 funding is no longer present.

**83.** Additional Covid-19 spending programmes have protected the financial position of public services in the short term. The Scottish Government largely maintained existing budgets and directed additional funding to areas it considered to be facing significant additional demands. However, the underlying financial sustainability pressures previously facing many public services remain and have undoubtedly been exacerbated by the pandemic. Given the underlying financial pressures, it will be critical that the available funding is managed closely to enable recovering public services to operate sustainably.

### **Some spending decisions have created ongoing commitments which will continue without additional Covid-19 funding**

**84.** The UK Government's 2022/23 budget did not include any specific Covid-19 funding for Scotland, although total funding was higher than pre-pandemic years. This means that the Scottish Government will need to continue to fund commitments that were initially funded from Covid-19 moneys from its core budget, including:

- £145.5 million annually for 2,400 new teachers and 750 support staff who were recruited during the pandemic to be offered permanent positions
- £120 million for mental health recovery and renewal in 2021/22, including recruiting new staff

- £17.3 million to provide free bus travel to all under 22s from 31 January 2022, benefiting 930,000 young people
- £53.2 million to support continuing costs arising from the pandemic for the police, prisons, community justice, and courts services in 2022/23.

**85.** These commitments will sit alongside any spending on recovery and other priorities. The Scottish Government will need to make difficult decisions about how to prioritise its spending and address any underlying sustainability issues through its upcoming financial planning.

### **Financial sustainability challenges remain in NHS boards and councils**

**86.** The Auditor General's [NHS in Scotland 2021](#) highlights that the NHS was not financially sustainable before the pandemic and rising costs of delivering services and additional spending commitments have added to these pressures.

**87.** Dealing with the pandemic had an impact on NHS boards' ability to make efficiency savings. The Scottish Government allocated £102 million to 14 NHS boards in 2020/21 to enable them to break even. It has also committed to providing additional funding for NHS boards in 2021/22. While this ensured that the NHS achieved a financial balance throughout the pandemic, it has not addressed the underlying issues.

**88.** Similarly in councils, the challenges that existed before March 2020 continue but with more intensity as inequalities have widened and financial pressures have increased. The Accounts Commission's [Local Government in Scotland: Financial overview 2020/21](#) highlights that, excluding additional Covid-19 funding, councils have seen a real terms reduction in funding from the Scottish Government of 4.2 per cent since 2013/14. The rest of the Scottish Government budget has seen an increase in funding over the same period.

**89.** Council accounts show that they received £500 million less income from sources such as leisure trusts, parking and school meals because of Covid-19 restrictions. The Scottish Government provided one-off funding to local government to offset any reductions in councils' income arising from non-domestic rate reliefs (£972 million) and other sources (£200 million). As the economy recovers post-Covid-19, it will be important for councils to understand and continue to report on the underlying effect on their local economy and income.

**90.** The Scottish Government, NHS boards and councils should work to understand which costs incurred because of the pandemic will continue into future years, and what impact the pandemic and subsequent removal of Covid-19 funding will have on their medium-term and longer-term financial plans.

## **It is important that the Scottish Government evaluates its overall financial response to the pandemic, including collecting the necessary information**

### **There has been some evaluation of individual Covid-19 spending programmes**

**91.** Evaluation of programmes is important to help the Scottish Government and public bodies to understand the impact Covid-19 spending has had, and what challenges remain as the country moves into recovery. We found that three of the ten sample spending programmes had been evaluated to some extent:

- The Scottish Government produced an interim report on the findings of a lessons learned exercise on business support between April 2020 and April 2021, reflecting on the things that worked well and that could be improved. A separate monitoring and evaluation report considered UK and Scottish Government support for businesses in Scotland. It found that a higher proportion (82 per cent) of businesses who received additional Scottish Government support felt that it helped them continue trading compared with those that received only UK Government support (65 per cent).
- The Scottish Government interviewed councils delivering the council element of the Food Fund (£15 million) in May 2020. This work highlighted concerns about rural issues, volunteer availability issues and a desire to be better informed about other Scottish Government funds. This learning informed the development of a further fund to support low-income families.
- The Scottish Government and voluntary sector partners evaluated the open application process part of the Wellbeing Fund (up to £34 million). It detailed the types of projects, their locations and the type of communities helped. Feedback from respondents highlighted the benefits of existing relationships and a need for better coordination across the emergency funds.

### **The amount and quality of the information from these evaluations is variable and was often not considered when the schemes were developed.**

**92.** Given the number of initiatives and tight timescales involved, it was not practical for the Scottish Government to implement the normal reporting and monitoring arrangements. These would have placed additional strain on public sector capacity.

**93.** In March 2022, the Auditor General and Accounts Commission published the briefing [Scotland's economy: Supporting businesses through the Covid-19 pandemic](#) which provided an overview of how Covid-19 business support funding was delivered during the pandemic. It found that there was not enough focus on the need for good-quality data, below an aggregate level, on the use of funds when they were initially paid to businesses. As a result, and because some businesses received funds from more than one funding stream, it is not currently possible to determine the exact number of businesses that received support below an aggregate level.

**94.** The Scottish Government is currently undertaking a data-cleansing exercise which should improve its ability to analyse business support data. This exercise has so far resulted in the Scottish Government publishing additional data on the number of grants over £100,000 and a breakdown of some schemes by payment date and local authority.<sup>6</sup>

**95.** We have seen from our sample funds that the extent to which the Scottish Government monitors individual Covid-19 spending varies. Some programmes reported daily, weekly, monthly or at the end of the project. The type of data required from the Scottish Government varies over time and by body. The information is collated by the business area responsible for the fund.

**96.** It is important that the Scottish Government collates the information it has collected and uses it to make better decisions about how to direct future funding.

**The need to spend quickly to respond to the pandemic was a key driver of decisions, but information on how quickly money was spent is limited and not collated**

**97.** Officials and stakeholders across government worked hard to quickly develop Covid-19 funding streams and were challenged by ministers to open access to support funds as quickly as possible. Business groups have highlighted to us that the time it took to receive funding varied across council areas depending on the systems and resources available.

**98.** Information on the time taken between applying for funding and receiving support was not centrally collated by the Scottish Government. Where it does exist, it is held by the directorate or public body responsible for the fund. From the information we have received we have been unable to determine any overall statistics about the time taken for funds to reach recipients. For example, it is not possible to determine the time taken for applications for the Pivotal Enterprise Resilience Fund to be processed because the information allowing that analysis was deleted for data protection reasons. The contract between the technical platform operator and Scottish Enterprise included a standard clause specifying that data, which included time stamps, was deleted when the fund closed.

**99.** Seven of our ten sample funds included an application process. We established the time between ministers announcing the funding and the applications process opening, and reviewed the limited information held on the time it then took applicants to receive funding ([Exhibit 9, page 39](#)). The time between an announcement and the application process opening varied from zero to 49 days. Six of the seven funds had information on time between application and the first recipient receiving support, but only the Business Ventilation Fund had information on the average application process period. In April 2022, as part of its ongoing business support data-cleansing exercise, the Scottish Government published some payment date information for business support funding.<sup>7</sup> This information is now available for around £988 million of the £4.6 billion spent on business support.

**100.** The pace at which recipients were able to access Covid-19 support should be a key component of any evaluation by the Scottish Government and its delivery partners. This will provide assurance that the higher-level risk accepted to distribute funds quickly was worth while. Public bodies should consider that any contracts for future urgent spending include the ability to collect and keep data on speed of spending.

**It is important that the Scottish Government evaluates the overall effectiveness of its Covid-19 spending programmes as the uncertainty of the pandemic subsides.**

**101.** Although Scottish Government support has been essential for the NHS, businesses, and individuals, the Government has not carried out an overall assessment of its spending on Covid-19. This means that it does not yet have a full understanding of how well it directed its funding to those who most needed it and the impact this had. Some information may be held at a directorate or fund level, and it is important that this is pulled together to provide a better understanding of overall impact.

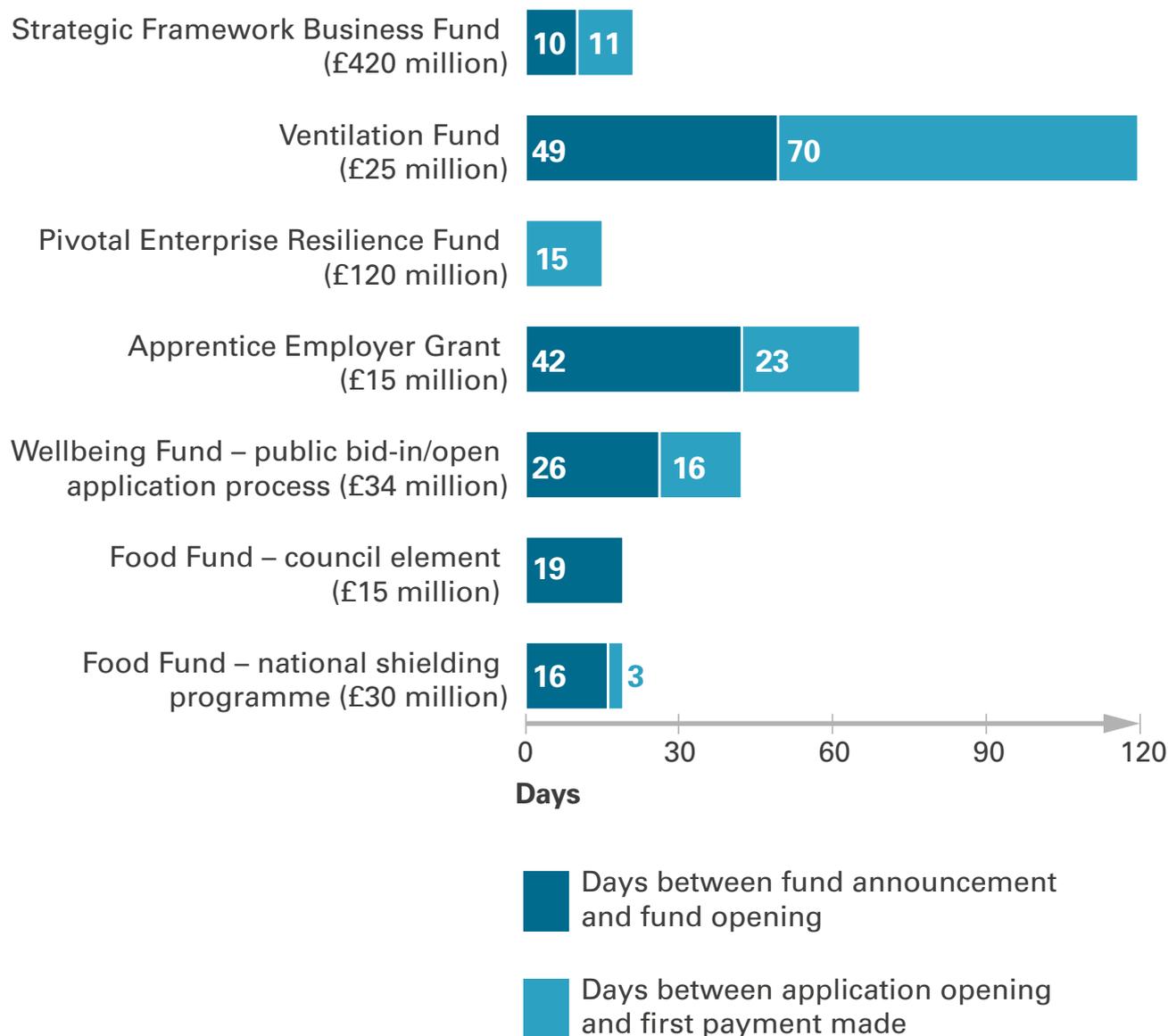
**102.** In December 2020, the Scottish Government reported on the impact of Covid-19 on the long-term trends in the National Performance Framework. The pandemic has slowed and, in some cases, reversed progress across many of Scotland's National Outcomes. The impact on National Outcomes is likely to be long term. The Scottish Government was already facing a significant challenge to improve outcomes in Scotland and Covid-19 has made this more difficult, having exacerbated inequalities and put additional pressure on public finances.

**103.** As Scotland emerges from the pandemic, the Scottish Government will need to understand which interventions were successful and which were less so. Being able to understand the themes of, and lessons from, Covid-19 spending will be vital in developing its response to recovery.

## Exhibit 9.

### Time between Covid-19 support announcements, funds opening and first payments

In most cases, Covid-19 funds did not start accepting applications on the day the Scottish Government announced support.



Notes:

1. The exhibit shows the initial value of sample funds and not final expenditure.
2. The Business Ventilation Fund was an adaptation fund, rather than emergency support in response to restrictions. Claimants were reimbursed for costs after work was completed. It was paid retrospectively to businesses.
3. The council element of the Food Fund started issuing support before funding was allocated, with councils using their resources to support those in food poverty.

Source: Audit Scotland sample fund analysis

# Endnotes

- 1 We sought information from Creative Scotland, Highlands and Islands Enterprise, Skills Development Scotland, Scottish Enterprise, South of Scotland Enterprise, Transport Scotland, VisitScotland, Scottish Funding Council, Sportscotland and Historic Environment Scotland.
- 2 [Finance and Public Administration Committee: Finance Update](#), Scottish Government, April 2022.
- 3 Ibid.
- 4 [Summer Budget Revision 2020 to 2021](#), Scottish Government, May 2020.
- 5 [Letter from the Cabinet Secretary for Finance and Economy to the Convener](#), December 2021.
- 6 [Coronavirus \(COVID-19\): business support funding interim experimental statistics – number of grants of £100,000 or over](#), Scottish Government, March 2022
- 7 [Business support payment date data](#), April 2022.

# Appendix

## Sample funds methodology

The Scottish Government announced over 300 funding packages to help support individuals and businesses during the pandemic, covering all ministerial portfolio areas. Overall, an audit of this nature can only provide generalised conclusions about the overall management of funds, rather than detailed conclusions on the management of all individual funds.

To enable a more in-depth analysis of how decisions were made and how funds were managed we selected a sample of ten individual funds. We looked at how the fund was developed, how decisions were made, spending versus announcements, delivery partner arrangements, reporting and risk management.

The funds were selected to ensure a spread of portfolio areas, delivery partners, and value. The funds selected were from a range of points in time across the pandemic.

Fund	Date announced	Value <sup>1</sup>	Spending area	Partners
<b>Additional funding for health</b>				
Additional funding to NHS boards to help deal with the health impact of Covid-19.	2020/21 Autumn and Spring budget revision	£1.6bn <sup>2</sup>	Health	NHS boards
<b>Additional funding for Lost Income Fund</b>				
Funding to compensate councils and council trusts for lost sales, fees and charges from services such as sports centres and parking charges.	8 October 2020 <sup>3</sup>	£200m	Communities and local government	Councils
<b>Food Fund (national programme)</b>				
National contractor appointed to deliver food packages to individuals who were advised to shield to protect them from Covid-19.	18 March 2020	£30m	Communities and local government	National contractor
<b>Food Fund (councils)</b>				
Funding to councils to support households struggling to access food because of the pandemic. Councils were given some flexibility over how funding was used.	18 March 2020	£15m	Communities and local government	Councils
				<b>Contd.</b>

Fund	Date announced	Value <sup>1</sup>	Spending area	Partners
<b>Wellbeing Fund (public bid-in)</b>				
Fund administered by a coalition of third sector partners to distribute grants between £5k and £10k to small and local organisations for projects improving mental and physical health, addressing food and financial insecurity, and increasing employment opportunities.	18 March 2020	Up to £34m	Communities and local government	Voluntary sector partners
<b>Additional funding for rail services</b>				
Funding to the rail franchises to help deal with the loss of revenue because of the impact restrictions had on passenger numbers.	1 March 2020	£441m	Transport	Transport Scotland
<b>Apprenticeship Employer Grant</b>				
Grants of between £3.5k and £5k to encourage employers to recruit young apprentices.	1 December 2020	£15m	Business	Skills Development Scotland
<b>Pivotal Enterprise Resilience Fund</b>				
Small to high value grants to businesses that play a vital role in the national and local economies.	30 April 2020	£120m <sup>4</sup>	Business	Enterprise agencies
<b>Business Ventilation Fund<sup>5</sup></b>				
Eligible businesses received grants of up to £2.5k per premises to compensate for work carried out to improve ventilation and air quality.	28 September 2020	£25m	Business	Councils
<b>Strategic Framework Business Fund</b>				
Payments to businesses who were impacted by restrictions. Grants ranged from £1.4k to £3k depending on value of business property and whether premises were closed or remained open with modifications in place.	23 October 2020	£420m	Business	Councils

## Notes:

1. This is based on the initial value of each of the funds.
2. This is the total allocation to health boards in the two budget revisions. We focused on how the allocation of additional Covid-19 funding was issued to health boards.
3. £90 million was announced in October 2020 and this increased to £200 million in January 2021.
4. £45m to this fund in April 2020, with an additional £75m provided through two funding announcements in May.
5. The Business Ventilation Fund was an adaptation fund, rather than emergency support in response to restrictions. Claimants were reimbursed for costs after work was completed.

# Scotland's financial response to Covid-19

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

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

For the latest news follow us on social media or [subscribe to our email alerts](#).



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

ISBN 978 1 913287 84 9 AGS/2022/8

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

Policy Title	Audit Scotland: Scotland's Financial Response to Covid-19
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – tim.baulk@south-ayrshire.gov.uk

### 2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Thematic Groups: Health, Human Rights & Children's Rights	-	-

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low
<b>Foster good relations</b> between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low



**South Ayrshire Council**

**Report by Head of Finance, ICT and Procurement  
to Audit and Governance Panel  
of 5 October 2022**

---

**Subject: Accounts Commission Annual Report 2021/22**

---

**1. Purpose**

- 1.1 The purpose of this report is to advise the Panel of the Accounts Commission Annual Report 2021/22.

**2. Recommendation**

- 2.1 **It is recommended that the Panel considers the findings outlined in the Accounts Commission Annual Report 2021/22 (attached as Appendix 1).**

**3. Background**

- 3.1 In June 2022, the Accounts Commission published its annual report for 2021/22 which covered the following:

- progress against its priorities;
- impact of Covid-19 on reporting in 2021/22;
- Best Value Assurance Reports (BVARs);
- Best Value reporting through the annual audit;
- local government overview reports;
- national reports;
- statutory reporting;
- statutory performance information: its new Direction;
- Code of Audit Practice and new audit appointments;
- co-ordinating local government scrutiny;
- other relevant Audit Scotland outputs;
- reporting to and engaging with the public;
- engaging with its other stakeholders; and
- reflecting stakeholder views in its work.

- 3.2 The Commission's findings and recommendations from the 2021/22 BVAR for South Ayrshire Council (October 2021) were summarised as follows:

- 'We are pleased that the council has responded quickly to the challenges of the Covid-19 pandemic and has a clear vision for the people of South Ayrshire. Disappointingly, however, progress identified in previous Best Value work has slowed in key areas. We therefore expect an increase in the pace and depth of change.
- Elected members and officers need to demonstrate more leadership and commitment to drive transformation. Building capacity and leadership development will be important.
- Transformation needs to be supported by improved performance information and targets for progress. Specifically, medium-term and longer-term financial plans require development and workforce plans need to be in place.
- We expect the council to build on the good relations of its partners in delivering and demonstrating progress in community wealth building, tackling poverty and inequalities.
- It is vital to encourage engagement and relationships with citizens through improved performance reporting and access to council meetings.
- In December 2021, the council accepted the findings of the Commission and approved a draft action plan. We intend to maintain a very close interest in the council's progress through annual audit and Best Value reporting.'

#### **4. Proposals**

- 4.1 It is proposed that Members consider and note the terms of the Accounts Commission report.
- 4.2 It is further proposed that Members note that South Ayrshire Council considered the Commission's findings and recommendations from the 2021/22 BVAR at its meeting of 9 December 2021, where the Council:
- agreed to accept the recommendations of Audit Scotland and the findings of the Accounts Commission;
  - approved. an action plan in response to the recommendations made; and
  - agreed that quarterly updates on progress against the action plan be presented to the Audit and Governance Panel.

#### **5. Legal and Procurement Implications**

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

#### **6. Financial Implications**

- 6.1 Not applicable.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

## **9. Equalities**

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

**Background Papers** None

**Person to Contact** Tim Baulk, Head of Finance, ICT and Procurement  
County Buildings, Wellington Square, Ayr, KA7 1DR  
Phone 01292 612620  
E-mail [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)

**Date:** 23 September 2022

# Annual report

2021/22





# Who we are

**The Accounts Commission holds councils and other local government bodies in Scotland to account and help them improve by reporting to the public on their performance. We are impartial and operate independently of councils and the Scottish Government.**

We expect councils and other local government bodies to achieve the highest standards of governance and financial stewardship and fulfil their statutory **duty of Best Value** in how they use their resources and provide their services. Our work includes:

- securing and acting upon the external audit of Scotland's councils, Integration Joint Boards (IJBs) and other joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits and related work to help councils and IJBs improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission).

The current members of the Commission are listed on [page 27](#).



# Contents

Chair's foreword	<b>4</b>
Our impact	<b>6</b>
Reporting on individual councils	<b>11</b>
Local government overview reports	<b>16</b>
National reports	<b>18</b>
Our other work	<b>21</b>
Engaging with others	<b>24</b>
Ensuring quality in our work	<b>26</b>
Our members	<b>27</b>
Appendix 1	<b>28</b>
Appendix 2	<b>30</b>
Appendix 3	<b>35</b>



# Chair's foreword

Covid-19 has significantly impacted the work of the Accounts Commission. But our remit and our priorities have not changed.

Our task is to provide assurance to the public, the Scottish Parliament and Scottish Government about how well councils are delivering their services and managing their finances. Where we identify areas of under-performance, we make clear how these can be improved. We also assess and report on the financial sustainability of over 100 local bodies, including health and social care integration joint boards.

We continue to press councils, alongside the Scottish Government and their local partners, to make faster progress in tackling the serious inequalities that persist in Scotland. We have also emphasised the importance and value in engaging their local communities in decisions about the planning and delivery of local services.

As this report demonstrates, some services are being improved and local authorities are learning lessons from each other and from the Commission's reports. Nonetheless there are undoubtedly areas where further improvement needs to be achieved in the design and delivery of services, in the allocation of resources, in building on the lessons learned from coping with Covid-19 and in how local authorities individually and collectively communicate their achievements and plans with the public. The Commission will continue to challenge local bodies to tackle under-performance effectively, as well as acknowledging what is being achieved.

The Commission has also focused on the impact on local services of Covid-19 and the significant contribution local bodies are making to the national effort to recover and to plan for the future. This will continue to be an important feature of our work for the foreseeable future.

Although the Commission's focus is on the performance of local bodies, we continue to emphasise to the Scottish Government ways in which they could help councils better plan services. That's why we will continue to reinforce the criticality of the Scottish Government delivering a multi-year financial settlement and increasing the flexibility on how resources can be used.

The impact of Covid-19 has resulted in the Commission working in more agile and responsive ways, including more briefings and blogs.

The Commission itself is also changing. I was appointed Chair in January 2022. Since then, I've been working with members of the Commission to determine our focus for the years ahead and implement a programme of internal change designed to strengthen our ability to effectively deliver our statutory functions, and further improve how we engage with our stakeholders. We have continued to benefit from the support of the Audit Scotland Board, the Auditor General and staff across Audit Scotland.

In the last year we said goodbye to Elma, who had been interim Chair since 2020 and Pauline, who had completed eight years as a Commission member. We wish them both well for the future.

In addition, we have launched a recruitment drive to replace two Commissioners whose terms of office have come to an end, as well as filling two long-standing vacancies. We look forward to welcoming these new colleagues to the Commission.

The Commission and the bodies we oversee have faced considerable uncertainties during the last two years, and it is likely that these challenges will continue. This makes the work of the Commission even more important.

A handwritten signature in black ink, appearing to read 'William Moyes', with a stylized flourish at the end.

**Dr William Moyes**  
Chair of the Accounts Commission

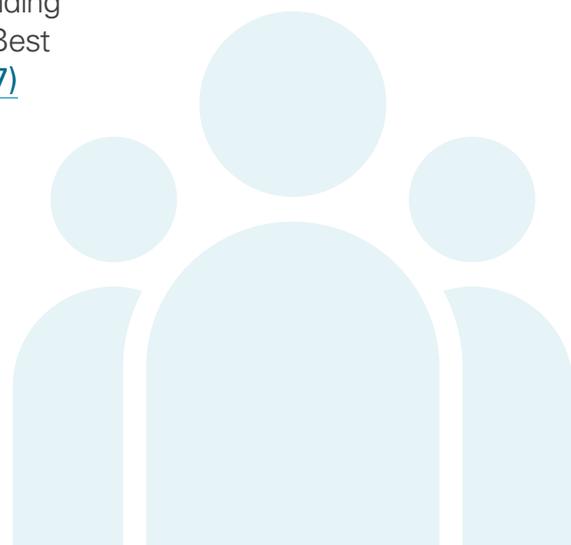


# Our impact

**Our audit work has reported on the progress by councils against our priorities. Our annual audit work and our Best Value auditing is helping to drive forward improvement. The pandemic impacted on the scheduling of our reporting.**

## Progress against our priorities

- 1.** In September 2021, we published our [Strategy for 2021–26](#) setting out our priorities for the next five years, alongside the principles used to shape our reporting. We will use our statutory powers to shine a spotlight on inequalities, funding and the financial sustainability of local government, recovery from the pandemic and local government’s relationship with its communities.
- 2.** We receive an Annual Assurance and Risks Report (AARR) from the Controller of Audit each year, reviewing the annual audit in all local government bodies. The AARR highlights that audit work is providing good coverage of the Commission’s priorities and emphasis on Best Value is helping to drive forward improvement. [Exhibit 1 \(page 7\)](#) outlines progress made against our four priorities this year.



## Exhibit 1.

Progress by councils in 2021 against the Accounts Commission's strategic priorities (as reported in the AARR)

Priority area	Key findings
<p><b>Inequalities:</b> the contribution local government makes to lessening the impact of inequalities, particularly poverty, on different communities</p> 	<ul style="list-style-type: none"> <li>• Councils are prioritising a commitment to reducing inequalities in their communities.</li> <li>• Councils are considering equalities as part of their decision-making, engaging with harder to reach communities on service delivery and transformation and creating measurable equalities outcomes.</li> <li>• There are examples of councils working well with partners to target specific support towards disadvantaged and vulnerable groups within their communities, who may have been particularly impacted during the pandemic.</li> </ul>
<p><b>Funding and financial sustainability:</b> the impact of funding on local government's ability to fulfil its role</p> 	<ul style="list-style-type: none"> <li>• Funding for councils is decreasing and much of the funding is allocated by the Scottish Government for specific purposes, reducing the discretion of councils in spending decisions.</li> <li>• Councils and Integration Joint Boards (IJBs) are carrying out medium-term financial planning to provide more certainty around service provision and savings targets.</li> <li>• Some plans need to be reviewed to reflect the impact of Covid-19 to adjust priorities and targets, so they remain appropriate and deliverable.</li> </ul>
<p><b>Communities:</b> the relationship between local government and its different communities</p> 	<ul style="list-style-type: none"> <li>• Councils with <a href="#">Best Value Assurance Reports</a> (BVARs) in 2021 all had a clear vision and strategic direction, aligned with local outcome improvement plans.</li> <li>• Good working relationships with partners allowed councils to respond more effectively to the challenges created by the pandemic.</li> <li>• However, it is not always clear whether partnerships are delivering improved outcomes due to a lack of performance reporting.</li> <li>• Some councils are consulting widely with communities and involving them in decision-making, but councils have much more to do to fulfil the ambitions of the Community Empowerment Act. There is little evidence of direct community input driving recovery actions or meaningfully reshaping services.</li> </ul>

Priority area	Key findings
<p><b>Recovery:</b> what contribution local government makes to Scotland's response to, and recovery from, the pandemic</p> 	<ul style="list-style-type: none"> <li>• Councils made changes to governance structures in response to Covid-19 and, despite the potential risks for scrutiny and decision making involved in this, the new arrangements were found to be effective.</li> <li>• Many councils have shown strong leadership, though as in previous years, there has been turnover in leadership roles.</li> <li>• In councils where we have undertaken a BVAR, they were providing training for elected members and carrying out workforce planning, but there are still areas where improvements are needed.</li> <li>• Councils are making use of self-evaluation to drive continuous improvement.</li> <li>• There are still areas for improvement in performance reporting to allow councils to be able to better demonstrate progress against priorities.</li> <li>• Councils are meeting their statutory responsibilities on <a href="#">public performance reporting</a> under the 2018 Statutory Performance Information (SPI) Direction. But there is scope for improvement around reporting on benchmarking and performance against Best Value duties.</li> <li>• Covid-19 impacted on the ability of some councils to progress plans for transformation and make associated savings.</li> </ul>

Source: [Annual Assurance and Risks Report](#), Controller of Audit. Endorsed by the Commission at its meeting in March 2022

## Impact of Covid-19 on our reporting in 2021/22

**3.** Our annual audit work in councils and other local government bodies is the foundation for all our work. The 2020/21 annual audit reports were the first to capture the full-year impact of Covid-19 on local government finances. Covid-19 created unprecedented conditions for councils and other local government bodies – we reported on this throughout the year. Our local government overview reports ([see paragraphs 14 and 15](#)) summarise the key messages.

We outline our range of [audit outputs](#), and how each of these have been affected by Covid-19 in [Exhibit 2 \(page 9\)](#).

## Exhibit 2.

### Audit outputs and impact of Covid-19

Audit outputs	Impact of Covid-19
<p><b>Annual audit reports.</b> This work is at the core of how we provide assurance over the use of public money. We report on the finances and performance of 32 councils, 30 Integration Joint Boards and 42 other local government bodies (31 other local government bodies and 11 local government pension funds). We also cover wider aspects of governance, improvement and progress made against their <a href="#">duty of Best Value</a>.</p>	<p>The deadline for preparing public bodies' accounts for the 2020/21 year was extended to the end of November 2021. Most audits for local government bodies were completed within the revised deadline.</p> <p>In <a href="#">Exhibit 1</a> we summarise the key messages from the annual audit reports, under the four priorities we outlined in our <a href="#">Strategy 2021–26</a>.</p>
<p><b>Reporting on Best Value.</b> Our Best Value Assurance Reports (BVARs) report on how individual councils are fulfilling their statutory <a href="#">duty of Best Value</a>. The reports look at how councils manage public resources, with a focus on improvement, to deliver the best possible outcomes for the public. Every year, through annual audit reports, auditors report on the progress councils have made against recommendations in the BVARs.</p>	<p>Our timetable for Best Value reporting on 32 councils was extended from five to six years in 2021. The final three reports will be published by winter 2022.</p> <p>We published four BVARs and one progress report in 2021/22. <a href="#">See paragraphs 4 to 7.</a></p>
<p><b>Local government overview reports:</b> These two reports summarise our assessment of local government and the main issues affecting it. The <i>Local government in Scotland: Financial overview</i> focuses on finance; and the <i>Local government in Scotland: Overview</i> focuses on service provision.</p>	<p>The timeline of this work was adjusted to reflect the altered annual audit timelines. We published the <a href="#">Local government in Scotland: Overview 2021</a> in May 2021 and the <a href="#">Local government in Scotland: Financial overview 2020/21</a> in March 2022. <a href="#">See paragraphs 14 to 15.</a></p>
<p><b>Statutory reports:</b> We have powers to publish statutory reports on individual councils, to bring issues arising from the annual audit to public attention.</p>	<p>We published one statutory report this year, highlighting concerns in relation to governance and transparency at <a href="#">Orkney and Shetland Valuation Joint Board</a>. <a href="#">See paragraphs 19 and 20.</a></p>

## Audit outputs

**Performance audits** on significant national topics to examine the quality, efficiency and effectiveness of services and the use of resources across local government.

**Impact reporting:** These are short follow-up reports that track progress with the recommendations from previous performance audits.

**Other products:** These include briefing papers, blogs and summaries to update the public and stakeholders on issues affecting local government and the Commission's position on what its audit response should be. These help us report in a more agile way alongside our other reporting.

Where there are areas of common interest, such as health and social care, we report jointly with the Auditor General for Scotland.

## Impact of Covid-19

During 2020 and 2021, we paused and reframed our programme of performance audits, briefing papers, update reports, blogs and impact reports. This was to understand the emerging impact of Covid-19, what new work was required and how existing planned work needed to be reshaped. This was also to avoid placing additional scrutiny burdens on public bodies at a time when they were addressing the significant impact of Covid-19 on public services.

In 2021/22, as part of our joint dynamic work programme, we published two briefing papers, four updates and eight blogs. No performance audits or impact reports were planned for publication in 2021/22. [See paragraphs 16 to 18.](#)

**How councils work reports** help local government bodies improve by bringing together findings and good practice from our audit work.

No *How councils work* reports were planned for publication in 2021/22.

As part of our joint dynamic work programme, we published:





# Reporting on individual bodies

**This year we published Best Value reports on five individual councils, and we continued to monitor the progress made by councils against the findings of our first 25 Best Value Assurance Reports**

## **Best Value Assurance Reports (BVARs)**

**4.** Councils have a duty to demonstrate Best Value – essentially continuous improvement in how they deliver services and use public money. Over the past six years the Commission has received a BVAR on 29 councils. The final three BVARs will be published by winter 2022.

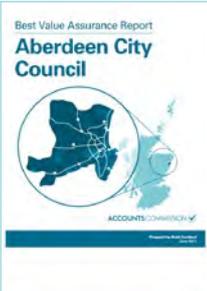
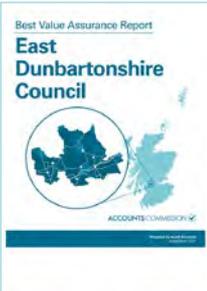
**5.** The Commission has agreed that from 2022/23, Best Value will be assessed entirely through the annual audit. This will be complemented by auditors reporting on some thematic work relating to Best Value. The approach will be informed by the Controller of Audit's AARR that highlights key risks facing local government. The Commission considers this report in March every year.

**6.** This year's BVAR findings again highlight the importance of good working relationships and collective leadership to drive change and improvement for the benefit of the communities that councils serve. Headline messages from this year's BVARs are outlined in [Exhibit 3 \(page 12\)](#).

**7.** Each report is formally considered by the council, Commission members also meet with councillors and senior staff to discuss the report. Any actions coming from the recommendations in the report will be followed up in the annual audit report or a follow-up report if deemed appropriate.

## Exhibit 3.

### Summary of Commission findings and recommendations for BVAR's published in 2021/22

Council	Commission's findings and recommendations from 2021/22 BVARs
<p><b>Aberdeen City Council</b></p> <p>(June 2021)</p> 	<ul style="list-style-type: none"> <li>• We commend the council on the strong changes, improvements and ambition that have been in place since previous Best Value reports in 2015 and 2008.</li> <li>• We welcome the self-awareness about its need to further increase the pace of improvement, particularly in the performance of education, housing services and tackling the deepening inequalities across communities.</li> <li>• The council has delivered challenging savings targets, and ambitious capital projects, while delivering services within budget and closing the budget gap, meaning it is well placed to manage continuing challenges from the on-going pandemic.</li> <li>• It is also encouraging that the council's vision for the people in Aberdeen is shared between elected members and officers demonstrating a good collaborative leadership.</li> </ul> <p><b>In August 2021, the council considered and accepted the BVAR and approved an action plan. Progress will be monitored through the annual audit.</b></p>
<p><b>East Dunbartonshire Council</b></p> <p>(September 2021)</p> 	<ul style="list-style-type: none"> <li>• We are pleased with the progress the council has made since our 2017 report: it has good self-awareness and is open about where it needs to improve.</li> <li>• The council is led well: service performance and customer satisfaction are good. Education services perform particularly well, even in the council's most deprived areas.</li> <li>• The council must maintain focus on its most vulnerable citizens and continue to develop their approach to tackling child poverty. Improvements in housing services will support this.</li> <li>• It is vital that councillors continue to seek timely performance information on services to support good improvement decisions.</li> <li>• The council manages its finances well. However, explicit links between budgets and the transformation programme are required to support transparency and scrutiny.</li> <li>• The council and its partners engage well with their communities. The Community Planning Partnership (CPP) needs to resume its regular meetings, revise its local outcomes improvement plan, improve performance reporting, and further broaden its engagement with communities.</li> <li>• It is crucial that the quality of services is sustained as the IJB (Integration Joint Board) shifts the way services are delivered.</li> <li>• It is important that the council shows how Covid-19 funding will be used to support economic recovery and social justice for its citizens.</li> </ul> <p><b>The council considered the BVAR in November 2021 and agreed an action plan in response to the improvement recommendations. The annual audit will include an update on the progress made by the council.</b></p>

**Council****Commission's findings and recommendations from 2021/22 BVARs****South Ayrshire Council**

(October 2021)

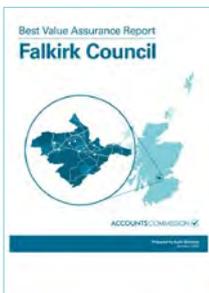


- We are pleased that the council has responded quickly to the challenges of the Covid-19 pandemic and has a clear vision for the people of South Ayrshire. Disappointingly, however, progress identified in previous Best Value work has slowed in key areas. We therefore expect an increase in the pace and depth of change.
- Elected members and officers need to demonstrate more leadership and commitment to drive transformation. Building capacity and leadership development will be important.
- Transformation needs to be supported by improved performance information and targets for progress. Specifically, medium-term and longer-term financial plans require development and workforce plans need to be in place.
- We expect the council to build on the good relations of its partners in delivering and demonstrating progress in community wealth building, tackling poverty and inequalities.
- It is vital to encourage engagement and relationships with citizens through improved performance reporting and access to council meetings.

**In December 2022, the council accepted the findings of the Commission and approved a draft action plan. We intend to maintain a very close interest in the council's progress through annual audit and Best Value reporting.**

**Falkirk Council**

(January 2022)



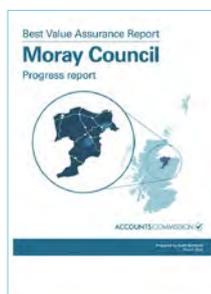
- Our last Best Value report on the council in February 2018 showed an encouraging response by the council to two previous reports (in 2015 and 2016) which had been critical about the council's slow pace of improvement. We are therefore extremely disappointed that this current report again finds that insufficient progress is being made by the council in its improvement.
- Despite positive working relationships between elected members and officers, there is a lack of collaborative leadership to drive transformational change.
- We cannot yet have confidence that the council will meet a projected budget gap of £70 million over the next five years. Elected members need to make difficult decisions on how to transform services for the people of Falkirk.
- We are pleased to note the good performance of many council services, but the council needs to do more to show how it acts upon people's experience and satisfaction with these services.
- The council's effective response to the pandemic underlined how it is improving how it engages with its communities, which will be important in facing the significant challenges ahead.
- Speedy work is required to deliver locality plans and empower communities. A prominent example of how partnership working needs to deliver more benefits for communities in Falkirk is the need for further integration of health and social care services through the Integration Joint Board.

**The council fully accepted the findings of the BVAR and agreed an action plan in February 2022. Progress will be monitored closely, and the council will be the first to be audited under the new Best Value arrangements in 2023.**

Council	Commission's findings and recommendations from 2021/22 BVARs
---------	--

**Moray Council  
progress report**

(March 2022)



- In our previous report, we set out our serious concerns about a lack of sustained improvement in Moray Council over many years. We are encouraged by the steps taken by the council since to put in place elements needed to deliver improvements, against a backdrop of the challenges of the Covid-19 pandemic, to which the council has responded well.
- We are not, however, assured that this momentum will be maintained. We remain disappointed that the strong cohesive leadership required from elected members is not yet being demonstrated.
- Immediate progress now needs to be evidenced in more urgent implementation of the improvement and modernisation programme.

**The council formally considered the Commission's findings and agreed an action plan in response in March 2022. Progress will be monitored closely and reported on as a priority.**

## Best Value reporting through the annual audit

**8.** Our annual audit work in councils and other local government bodies lies at the core of our work. The annual audit provides assurance on local government accounts, but also goes beyond the accounts. It considers wider aspects including governance, financial management and, in the case of councils, progress with the duty of Best Value.

**9.** Our aim is that our long-standing Best Value audit work in councils helps to drive improvement. In every council, auditors report progress against our previous BVAR recommendations through the annual audit report.

**10. Appendix 2** summarises the progress made in those councils subject to BVARs in previous years. In general, our auditors reported that councils have robust arrangements in place to support the delivery of Best Value. However, further progress is needed against several important aspects. These include:

- strengthened leadership and an increased depth and pace of improvement
- the need for more systematic approaches to self-evaluation to drive improvement
- further action to be taken to address mixed progress in implementing aspects of the Community Empowerment (Scotland) 2015 Act, for example in relation to participatory budgeting
- scope for improved performance reporting by councils to:
  - better demonstrate progress against local priorities (including with partners)
  - report more effectively on benchmarking activity and the use of the Local Government Benchmarking Framework (LGBF)
  - more clearly show how they are meeting the requirements of the Commission's Statutory Performance Information (SPI) Direction.

**11.** The remaining three BVARs, for Angus Council, Shetland Council and Comhairle nan Eilean Siar will be published by the end of 2022.

**12.** For integration joint boards, this year's AARs reported that:

- 22 IJBs had appropriate arrangements for Best Value in place
- 4 IJBs were working on developing their arrangements
- 2 had arrangements in place, but the auditors judged that they needed further improvement
- 2 IJB AARs had no clear judgement on the IJBs' arrangements for demonstrating Best Value.

**13.** We are currently planning for further reporting on the performance of IJBs, to ensure assurance around this significant resource and vital service in people's lives.



# Local government overview reports

**Last year our two overview reports focused on the immediate impacts of Covid-19 and looked ahead to its longer-term impacts on the financial outlook for councils as well as the economy, communities, and public services**

**14.** We published our [Local government in Scotland: Overview 2020/21](#) in May 2021. Focusing on councils' initial response to the Covid-19 pandemic, we reported that:

- Covid-19 is having a profound impact on all aspects of society, including the economy, jobs, and the physical and mental health of the public. Inequalities have been exacerbated and deepened by Covid-19. At the same time, the financial and service demands and stresses on councils have increased
- relationships with communities have been vital. Councils, their partners and communities have worked well together
- levels of service disruption have varied. Services such as education, social care and culture and leisure were badly affected, while other core services continued on a reduced basis or delivered virtually
- the workforce demonstrated versatility to take on new roles. Staff were redeployed from services that were closed or reduced into services facing increased pressure. They worked at pace under challenging circumstances
- there were significant changes in council governance structures and processes. Councils must continue to balance the need for urgent decision-making with transparency

- councils continue to face significant financial challenges, and these have been exacerbated by the pandemic. The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils
- councils have started to plan for longer term recovery from the crisis. There has been ongoing learning resulting from the emergency response to the pandemic.

**15.** We published our [Local government in Scotland: Financial overview 2020/21](#) in March 2022. Our report covered the first full year that makes clear the impacts of Covid-19. We also looked ahead to the medium- to longer-term financial outlook for councils. Our conclusions included:

- Covid-19 persisted throughout 2020/21, with the Scottish Government increasing funding to councils by £1.5 billion to support them in dealing with the impacts of the pandemic.
- When Covid-19 funding is excluded, there has been a real-terms underlying reduction of 4.2 per cent in local government funding since 2013/14.
- The underlying increase in Scottish Government funding of £358 million in 2020/21 was 1.1 per cent in real terms. But, over half of this increase is due to specific grants. Ring-fenced funding helps support delivery of key Scottish Government policies but constrains a proportion of the total funding and resources and removes any local discretion over how councils can use these funds.
- Councils' income from customers and clients was affected by Covid-19 restrictions and fell by £0.5 billion.
- In 2020/21, all councils reported surpluses and increased their usable reserves. The total increase in reserves was £1.2 billion (46 per cent). This increase was mainly due to late Covid-19 funding, which was unspent at 31 March 2021.
- Councils administered a further £1.4 billion of Covid-19 grants on behalf of the Scottish Government in 2020/21, putting additional pressure on finance staff across councils.
- Capital expenditure reduced by more than 20 per cent in 2020/21 because of Covid-19. Scottish Government capital funding to councils is expected to fall again in 2021/22.
- Covid-19 pressures contributed to greater and more frequent errors in councils' unaudited accounts.
- Uncertainty over the amount of funding available for Covid-19 recovery at the end of 2020/21 led to difficulties in setting budgets. Many councils established updated Covid-19 budgets in autumn 2021.
- Covid-19 resulted in revised medium-term financial plans, but longer-term planning will need to be updated as Covid-19 uncertainty diminishes.

# National reports

## We published six products on national, thematic issues and eight blogs highlighting specific areas of interest for the Commission

**16.** We did not publish any full national performance audits last year. We did however publish six other products on national, thematic issues. These briefings and update reports summarise key issues affecting local government and the Commission's proposed response. They also inform our future work programme and support the scoping process of our audit work.

**17.** We promote messages from these products widely to the public and relevant parties across the public sector. [Exhibit 4](#) summarises the headline messages from our publications.

### Exhibit 4.

A summary of our national, thematic reports published in 2021/22

#### Report



#### **The impact of Covid-19 on Scottish councils' benefit services**

October 2021

#### Summary

Our thematic study concludes that most of Scotland's councils maintained or improved their delivery of vital benefits during the Covid-19 pandemic. This was despite short-staffing and major disruptions from having to abruptly move to home or remote working.

Our risk assessment work on all council benefits services continues to report on risk and on improvements for this vital service.

## Report

## Summary



### **Auditing climate change: An update**

October 2021

Joint update with the Auditor General

In this update we outline the key role the public sector in Scotland has to play in ensuring a pathway to net zero by 2045 and adapting to climate change.

This is the first in a series of work expanding our reporting on climate change.



### **Community empowerment: Covid-19 update**

October 2021

Joint update with the Auditor General

Communities played a crucial role in the response to Covid-19. In this update we share some of the many good examples of the community response to the pandemic and summarise the learning. We build on our [Principles for community empowerment](#) report published in 2019.



### **Social care**

January 2022

Joint briefing with the Auditor General

Our briefing summarises the key challenges and recent progress made in social care services. It includes quotes from people with experience of social care support and providers of social care. It highlights areas requiring improvement across social care including: workforce conditions, commissioning of services and self-directed support.

This is a forerunner to an intensive schedule of reporting in social care in coming years.



### **Scotland's Economy: Supporting businesses through the Covid-19 pandemic and planning Scotland's economic recovery**

March 2022

Joint briefing with the Auditor General

Our briefing concludes that a detailed analysis of how Covid-19 business support funding was distributed during the pandemic is not possible, due to gaps in data. The Scottish Government is now working to improve the data to inform future policy making.



### **Drug and alcohol services: An update**

March 2022

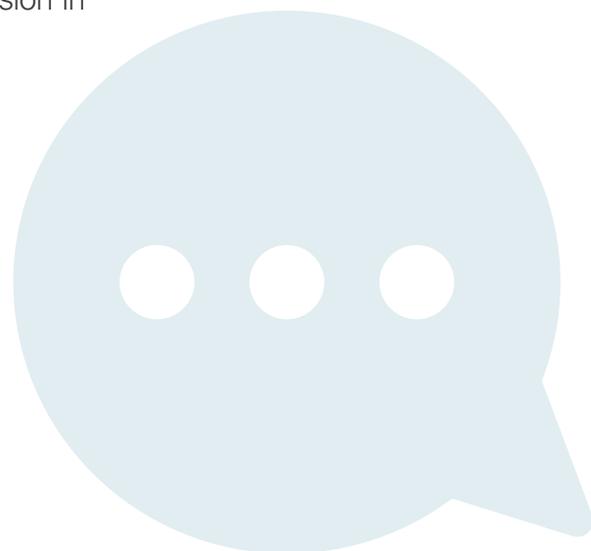
Joint update with the Auditor General

Our briefing outlines the complexities of drug and alcohol services in Scotland recommending that a clear plan is needed to improve people's lives and increase transparency around spending.

We will be reporting further in this area.

**18.** To complement our reporting during 2021/22, we published the following eight blogs designed to facilitate debate, raise awareness and support improvement:

- [Public Services and Scotland's Voluntary Sector during Covid-19](#), June 2021. Commission member Andrew Burns wrote about the important role the voluntary sector plays in helping to deliver Scotland's public services.
- [The digital divide – inequality in a digital world](#), September 2021. Interim Deputy Chair Tim McKay outlined how the pandemic has changed how we see and use digital technology for work and learning, accessing services and connecting with others. It has also brought recognition that not everyone has the digital tools needed to participate and thrive in the modern world.
- [Christie – it really is now or never](#), October 2021. Interim Chair Elma Murray blogged about the lack of progress made in the 10 years since the Christie Commission's report.
- [The role of Commission sponsors in our reporting work](#), October 2021. Andrew Cowie, member of the Accounts Commission blogged about the important role of report sponsor. Sponsors bring a different perspective, expertise and insight, alongside the professional work of the Audit Scotland teams.
- [Assurance and scrutiny - reporting on the vital role of Scotland's housing benefit services](#), November 2021. Commission member, Andrew Cowie blogged about the Commission's reporting on housing benefit services.
- [Statutory Performance Indicators](#), December 2021. Interim Deputy Chair, Tim McKay highlighted the importance of public performance reporting as we published our refreshed [Statutory Performance Information Direction](#) for councils, which applies from April 2022.
- [The value of independence and scrutiny across local government](#), February 2022. In his introductory blog, the Commission's new Chair, William Moyes wrote about the increasingly important and prominent role of the Commission in Scottish public life.
- [Councils face complex and urgent challenges](#), March 2022. The Commission's Chair, William Moyes set out the key messages within the [Local government in Scotland: Financial overview 2020/21](#).





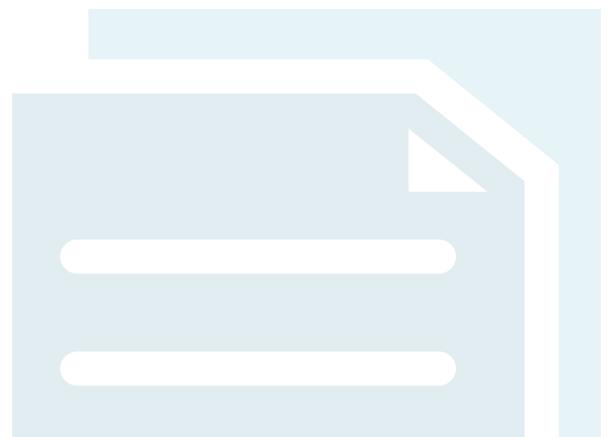
# Our other work

**Throughout the year we undertook other work to maximise our statutory responsibilities. Audit Scotland also published a series of briefing papers and blogs that complement our programme of work**

## **Statutory reporting**

**19.** Our [statutory report on Orkney and Shetland Valuation Joint Board in March 2022](#) found serious flaws in corporate governance at the Board. Processes to manage the contract and pay awards for the Assessor and Depute Assessor were flawed. Decisions taken were unlawful or not supported by appropriate procedures. And increases in pay were subject to neither appropriate scrutiny nor challenge. This undermines confidence that the decisions taken represented value for money.

**20.** The Valuation Joint Board accepted the Commission's findings and is committed to addressing these issues urgently. Some improvement actions have already been taken. The Commission now expects effective training and development to be in place, enabling board members to fulfil their responsibilities.



## Statutory performance information (SPI): our new Direction

**21.** We have a statutory power to define the performance information that councils must publish for performance comparison and benchmarking purposes. The Commission uses the power to emphasise the prime importance of councils reporting performance to their citizens and communities. Our [2021 SPI Direction](#), published in December 2021, requires councils to report on their performance in improving local services and local outcomes for the three years from 1 April 2022.

## Code of Audit Practice and new audit appointments

**22.** In June 2021, we published, in partnership with the Auditor General for Scotland, our new [Code of Audit Practice](#), which sets out our expectations of the auditors that we appoint. The new Code sets out our ambitions for public audit in Scotland including how we will fulfil our Best Value reporting responsibilities. The new Code formed the basis of our appointing of auditors in spring 2022 – including from Audit Scotland and from accountancy firms – for a five-year appointment period.

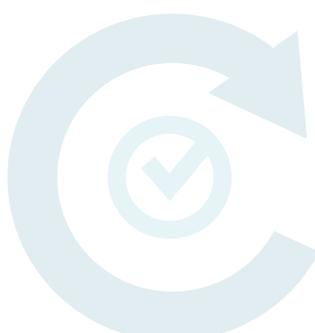
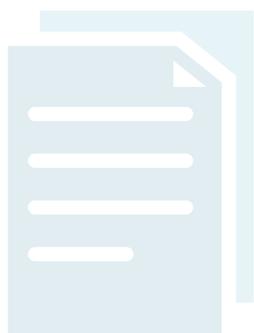
## Coordinating local government scrutiny

**23.** We chair the [Strategic Scrutiny Group](#), helping ensure coordination of the scrutiny of local government. This comprises Audit Scotland, the Care Inspectorate, Education Scotland, HM Fire Service Inspectorate, Healthcare Improvement Scotland, HM Inspectorate of Constabulary for Scotland, HM Inspectorate of Prisons for Scotland, Inspectorate of Prosecution in Scotland, Scottish Housing Regulator and the SPSO (Scottish Public Services Ombudsman).

**24.** This year, a local network of auditors and scrutiny partners met in every council area to identify audit risks and plan their scrutiny work.

## Other relevant Audit Scotland outputs

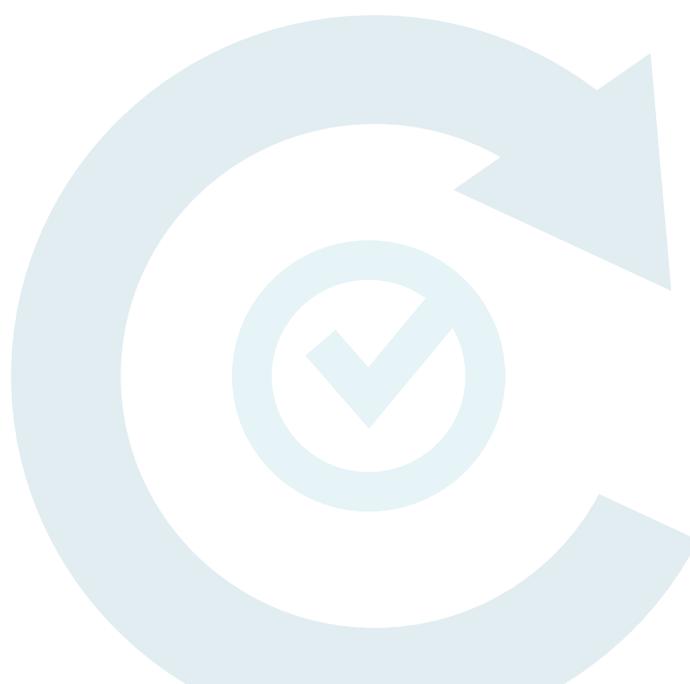
**25.** [Exhibit 5 \(page 23\)](#) summarises the key messages from Audit Scotland publications that complement the Commission's work.



## Exhibit 5.

### Relevant Audit Scotland outputs in 2021/22

Report	Summary
<p><b><u>Publication: Fraud and irregularity 2020/21</u></b> (July 2021)</p>	<p>This report sets out a range of fraud risks that emerged since the start of the Covid-19 pandemic. It also shares information about cases where internal control weaknesses in public bodies have led to fraud and irregularity.</p>
<p><b><u>Child and Adolescent Mental Health Services blog</u></b> (August 2021)</p>	<p>In this blog, the Interim Controller of Audit notes the serious concerns which have existed for years about access to children and young people's mental health services. The blog notes that the pandemic's impact has made the need for change more urgent.</p>
<p><b><u>Covid-19: Tracking the impact of Covid-19 on Scotland's public finances</u></b> (September 2021)</p>	<p>The Scottish Government estimates it has spent over £8.8 billion of the £9.3 billion allocated to support Covid-19 spending in 2020/21.</p>
<p><b><u>Strategic risks and issues affecting the Scottish public sector</u></b> (September 2021)</p>	<p>This highlights the current constitutional, economic, financial, inequalities and human rights, performance and innovation and leadership and governance risks faced across the Scottish public sector.</p>
<p><b><u>Addressing climate change in Scotland</u></b> (March 2022)</p>	<p>A summary of key recommendations for public bodies.</p>





# Engaging with others

**We are always looking at new ways to promote our work and involve the public, communities and our local government stakeholders in what we do**

## Reporting to and engaging with the public

**26.** Our [Progress Report](#) on the 2020/21 work programme summarises our main engagement activity over the year. We promoted our reports through media releases, videos, blogs and animations. We also used supplementary checklists and key facts or technical exhibits to highlight our messages. All our BVARs this year had accompanying newsletters that were distributed to community groups and third sector organisations.

**27.** [Appendix 3](#) summarises the statistics on report downloads from our website and social media engagement for all our 2021/22 publications.

**28.** We are trying to promote the messages in our reports more widely by using different formats, such as videos after each Commission meeting, as well as animations and newsletters to accompany individual reports. [Social media](#) is critical in getting these messages to a wider audience. Our [Strategy for 2021–26](#) gives more information on how we promote our work.

## Engaging with our other stakeholders

**29.** It is important that our work is informed by the experiences of our stakeholders. In 2021/22:

- After the publication of each BVAR we met with officers and members leading councils to hear their views on the report and discuss how they will take our findings and recommendations forward.

- We maintained regular dialogue with our main stakeholders including the Minister for Local Government, council leaders and chief executives, the Convention of Scottish Local Authorities (COSLA) and the Improvement Service. In April 2022, the Commission **considered** progress made with [its strategic alliance with the Improvement Service](#), which was established in May 2021.
- In August 2021 and May 2022, we gave evidence to the Scottish Parliament's Local Government Housing and Planning Committee on our local government overview reports.
- As part of our promotional work for our joint report with the Auditor General on [Improving outcomes for young people through school education](#):
  - In September 2021, we attended the Scottish Learning Festival as panel members
  - In November 2021, we gave evidence to the Scottish Parliament's Education Committee
  - In December 2021, we held a joint event with the Improvement Service to explore findings and recommendations with local education leaders.
- We continued to send our newsletters to councillors, third sector organisations and community groups throughout the year (in June 2021, November 2021 and [March 2022](#)).
- As part of our ongoing work on climate change, in July 2022 we took part in a [roundtable discussion](#) with our audit partners and a range of key stakeholders operating in the climate change sector. We discussed the challenges and opportunities for Scotland in delivering the net-zero target.
- We responded to several Scottish Parliament and Scottish Government consultations on key issues affecting local government, including for example, our joint [response](#) with the Auditor General for Scotland on Scottish Government proposals for the National Care Service.

## Reflecting stakeholder views in our work

**30.** Covid-19 has had a significant impact on our work and during the year we reviewed our priorities for 2021/22 onwards. During February and March 2022, we consulted with a range of stakeholders on our work programme. This included council chief executives, chief officers of IJBs, trades unions and third sector representatives. We also consulted with community groups, including Audit Scotland's Equalities and Human Rights Advisory Group and its Community Empowerment Advisory Group (which includes representatives from scrutiny bodies, the voluntary sector, academia and organisations supporting local communities).

**31.** The Commission considered the consultation responses and revised work programme at its meeting in March 2022. The revised [dynamic work programme](#) has been agreed jointly with the Auditor General for Scotland.

# Ensuring quality in our work

## Independent quality reviews found that the quality of the audit work that we secure continues to improve

**32.** All audit work undertaken on our behalf is subject to independent quality review. This involves both internal review and external review by the Institute of Chartered Accountants of Scotland (ICAS). Our Audit Quality and Appointments team, which is part of Audit Scotland but operates independently, reports to us on the quality of audit work delivered by Audit Scotland and by the private accountancy firms we appoint to undertake some of our annual audit work.

**33.** Each year Audit Scotland publishes a report on the quality of public audit in Scotland. We endorsed this report which was published on 10 June 2022. This year's report continues to identify good practice and areas to improve in audit quality.

### Conclusions include:

- The overall scores applied to financial audit quality reviews have improved this year. This provides a clear indication that high-quality standards are being achieved and that quality improvement plans are taking effect.
- The quality of financial audit work by accountancy firms is good and improving in Audit Scotland's Audit Services Group (ASG).
- In response to audit surveys, auditors report a strong, supportive culture within their organisations for performing high-quality audits. However, they also report concerns about having sufficient time and resources to deliver high-quality audits.
- The quality of audit work is good in our national reporting work undertaken by Audit Scotland's Performance Audit and Best Value group.
- Stakeholder feedback shows high levels of satisfaction and indicates that audit work has had impact.

**34.** To maintain and continue to improve quality, the report recommends further investigation into the common findings and reasons behind ASG and accountancy firm Mazars' quality review gradings in 2020/21 and develop an action plan to address these, including best practice learning.

**35.** We will continue to work with our audit providers to optimise the quality of the audit work that we secure, to help ensure that we fulfil our responsibilities around public assurance and improvement.



# Our members

The Accounts Commission members are appointed by Scottish ministers. The Commission meets monthly, and its meetings are open to the public.



**Dr William Moyes**  
Chair  
Appointed until 31 December 2025



**Tim Mackay**  
Interim Deputy Chair  
Appointed until 30 September 2023



**Andrew Burns**  
Appointed until 31 July 2026



**Andrew Cowie**  
Appointed until 31 July 2026



**Dr Sophie Flemig**  
Appointed until 30 September 2023



**Sheila Gunn**  
Appointed until 30 September 2023



**Christine Lester**  
Appointed until 31 December 2026



**Stephen Moore**  
Appointed until 30 September 2022



**Sharon O'Connor**  
Appointed until 30 September 2022



**Geraldine Wooley**  
Appointed until 30 September 2023



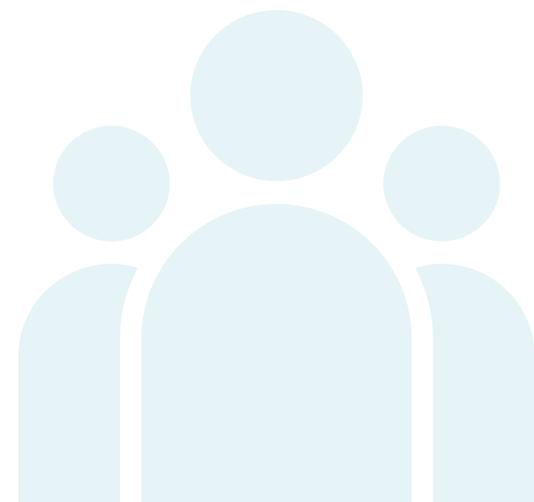
**Elma Murray**  
Interim Chair  
Appointment ended on 12 December 2021



**Pauline Weetman**  
Appointment ended on 30 November 2021



**Paul Reilly**  
Secretary to the Commission



# Appendix 1

## 2021/22 work programme: progress report

Here we report on our progress with our 2021/22 work programme, including publications and associated engagement activities.

### Key to progress:



**Complete:** This action has been completed



**Complete and continuing:** While an action has been completed, it continues as part of further ongoing activity



**Continuing:** This action has started but will require further input from the Commission.

Audit activity	Publications	Progress and engagement
<p><u><a href="#">Annual audit reports</a></u></p> 	<p>Published on our website for:</p> <ul style="list-style-type: none"> <li>• 32 councils</li> <li>• 30 Integration Joint Boards</li> <li>• 11 pension funds</li> <li>• 31 joint boards and joint committees</li> </ul>	<p><b>Complete (March 2022)</b></p> <p>Published on our website. Auditors have presented annual audit reports to each council.</p>
<p><u><a href="#">Local government overview reports</a></u></p> 	<ul style="list-style-type: none"> <li>• <u><a href="#">Local government in Scotland Overview 2021</a></u> (May 2021)</li> <li>• <u><a href="#">Local government in Scotland: Financial overview 2020/21</a></u> (March 2022)</li> </ul>	<p><b>Complete (March 2022)</b></p> <p>Published on our website with:</p> <ul style="list-style-type: none"> <li>• News release</li> <li>• Video</li> <li>• Key facts animation</li> <li>• Key facts exhibit</li> <li>• Interactive graphics</li> <li>• Supplements and checklists.</li> </ul> <p>Reports were also promoted on social media.</p>

Audit activity	Publications	Progress and engagement
<p><b><u>Best Value Assurance Reports</u></b></p> 	<p>Published for five councils, including one follow-up report</p> <ul style="list-style-type: none"> <li>• <a href="#">Aberdeen City</a> (June 2021)</li> <li>• <a href="#">East Dunbartonshire</a> (September 2021)</li> <li>• <a href="#">South Ayrshire</a> (October 2021)</li> <li>• <a href="#">Falkirk</a> (January 2022)</li> <li>• <a href="#">Moray follow up</a> (March 2022)</li> </ul>	<p><b>Complete and continuing</b></p> <p>Published on our website with:</p> <ul style="list-style-type: none"> <li>• News release</li> <li>• Key facts exhibit</li> <li>• Video highlights</li> <li>• Newsletter issued to local community bodies.</li> </ul> <p>Reports were also promoted on social media.</p>
<p><b><u>Other products</u></b></p> 	<ul style="list-style-type: none"> <li>• <a href="#">Briefing: Social care briefing</a> (January 2022)</li> <li>• <a href="#">Briefing; Scotland's economy</a> (March 2022)</li> <li>• <a href="#">Update: The impact of Covid-19 on Scottish councils' benefit services</a> (October 2021)</li> <li>• <a href="#">Update: Auditing climate change: An update</a> (October 2021)</li> <li>• <a href="#">Update: Community empowerment: Covid-19 update</a> (October 2021)</li> <li>• <a href="#">Update: Drug and alcohol services</a> (March 2022)</li> </ul>	<p><b>Complete</b></p> <p>Published on our website alongside other outputs, including:</p> <ul style="list-style-type: none"> <li>• News release</li> <li>• Key facts</li> <li>• Video animation</li> <li>• Good practice guides.</li> </ul> <p>Reports were also promoted on social media.</p>
<p><b><u>Statutory reports</u></b></p> 	<p>We published one statutory report this year, that highlighted concerns in relation to governance and transparency at <a href="#">Orkney and Shetland Valuation Joint Board</a>.</p>	<p><b>Complete</b></p> <p>Published on our website with news release and distributed to local community bodies.</p> <p>It was also promoted on social media.</p>
<p><b><u>Other Audit Scotland products</u></b></p> 	<p>On behalf of the Accounts Commission and Auditor General for Scotland, Audit Scotland published a series of briefing papers and blogs that complement the Commission's wider programme of work.</p>	<p><b>Complete</b></p> <p><a href="#">See paragraphs 16 to 18</a> for details.</p>

# Appendix 2

## Progress reported in the 2020/21 annual audit reports (AARs) against our first 25 BVARs

Council Date of BVAR	Progress reported in 2020/21 <u>annual audit reports (AARs)</u>
<u>Inverclyde Council</u> June 2017	In the 2019/20 AAR, six of the ten recommendations had been completed with the remaining four still ongoing. The September 2021 Corporate Policy and Performance Update Report, notes progress made in relation to the four remaining actions (Community Empowerment, Measuring Impact and Outcomes, City Deal and Shared Services).
<u>Renfrewshire Council</u> August 2017	The BVAR made seven recommendations relating to areas for further development including cross party working, community engagement, partnership working, financial sustainability, workforce planning and governance arrangements. Progress in implementing the recommendations continues to be monitored by the Corporate Management Team on an annual basis. The council continues to make positive progress in implementing the BVAR recommendations.
<u>East Renfrewshire Council</u> November 2017	The council continues to make positive progress in implementing the recommendations from the BVAR. Follow-up work around Best Value findings from prior years including equality training, its accommodation strategy and transformation projects has progressed.
<u>West Lothian Council</u> November 2017	Very limited follow-up work on the BVAR recommendations is required. As reported in the 2017/18 AAR, the council had a structured approach to tracking and reporting progress against the BVAR recommendations and by June 2018 essentially all actions had been completed. We note through work undertaken in the year that the council has a number of key characteristics of Best Value in place, including effective performance monitoring and robust governance arrangements.
<u>Orkney Islands Council</u> December 2017	The council reported in 2020/21 that all actions agreed as part of the BVAR had been completed. There are emerging issues in relation to the workforce strategy, management of capital projects and long-term financial planning which need to be addressed.

Council Date of BVAR	Progress reported in 2020/21 <u>annual audit reports (AARs)</u>
<b><u>East Ayrshire Council</u></b> May 2018	Based on audit work performed on the four audit dimensions, the auditor is satisfied that the council has robust arrangements in place to secure Best Value and has a clear understanding of areas which require further development.
<b><u>Fife Council</u></b> May 2018	Progress against the BVAR recommendations continues to be slow, but three (of eight) are now complete, including developing neighbourhood plans in 2019/20, and managing sickness absence rates and completing a revised integration scheme for Fife Health and Social Care Partnership in 2020/21. The five others are progressing, despite Covid-19.
<b><u>West Dunbartonshire Council</u></b> June 2018	The council has addressed the BVAR recommendations and implemented all of its planned improvement actions. The council has effective systems in place to monitor and report its performance and drive continuous improvement. The council continues to make good progress in demonstrating evidence of improvement in its services and has a clear focus on delivering Best Value.
<b><u>Glasgow City Council</u></b> August 2018	The BVAR made seven recommendations across a range of areas including performance management, homelessness, equal pay and partnership working. The council established an action plan to address the BVAR recommendations and in March 2020 reported the specific agreed actions as complete, and that ongoing wider work would continue with progress reported within existing governance structures.
<b><u>Dumfries and Galloway Council</u></b> November 2018	The council demonstrates a continuous focus on improvement and delivering Best Value. While managing the impact of Covid-19 and the council's response and recovery activity, the council has still demonstrated good progress in relation to the ongoing Best Value and wider improvement activity. The council continues to progress three outstanding actions from the Improvement Plan: revisiting the corporate plan to include the Climate Change priority; reviewing member appointments to outside bodies and embedding the actions from internal audit reviews around financial controls and procurement standing orders.
<b><u>East Lothian Council</u></b> November 2018	The council has made limited progress in addressing the Best Value improvement plan actions due to Covid-19. After publication of the BVAR, the council adopted a 2018-20 Improvement Plan. The Improvement Plan has been revised and updated annually. The 2021/22 Plan notes that limited progress has been made against the improvement actions, as the council continued to operate in business continuity plan mode throughout 2020/21, with non-critical actions put on hold. Revised timescales and deadlines have been given to all the improvement actions with a target to be completed by 2022.

Council Date of BVAR	Progress reported in 2020/21 <u>annual audit reports (AARs)</u>
<b><u>South Lanarkshire Council</u></b> March 2019	<p>The council continues to make positive progress in implementing the ten recommendations from the 2018/19 BVAR. Four are now complete (two concluded in 2019/20 and two in 2020/21), and five more are nearing completion. One recommendation on elected member training is on-going. Best Value is a continuous process. This is recognised by the council, with some of the recommendations being progressed further into longer-term improvements. We will continue to monitor the impact of the improvements made.</p>
<b><u>Stirling Council</u></b> April 2019	<p>BVAR recommendations were followed up in the 2019/20 annual audit and it was reported that the council had made positive progress. This continues to be the case in 2020/21, although a number of agreed actions have been delayed as the council focussed on responding to the pandemic. These include the implementation of an interactive public performance monitoring tool and a digital staff engagement tool. Further progress has since been made on both of these actions.</p>
<b><u>North Lanarkshire Council</u></b> May 2019	<p>Good progress has been made to address recommendations in the BVAR. Covid-19 affected performance reporting, but there is a new Business Intelligence Hub with the aim of increasing capacity to collect and report on performance information. Reasonable progress has been made on sharing good practice in housing across Social Care services, workforce planning and self-evaluation framework development.</p>
<b><u>Clackmannanshire Council</u></b> June 2019 progress report	<p>The council has continued to make progress on the BVAR recommendations with a clear focus on the 'Be the Future' transformation programme. Performance reporting during 2020/21 was appropriate and the LGBF data demonstrates improvement across a number of areas.</p>
<b><u>Midlothian Council</u></b> July 2019	<p>The council has made progress against the BVAR recommendations, despite the challenging period since the BVAR was published. Seven of the eight recommendations are marked green. One recommendation (elected member training) is marked amber, reflecting the planned timing of training following the local government elections.</p>
<b><u>Perth and Kinross Council</u></b> August 2019	<p>Audit work covered the transformation programme, medium and long-term planning, EU withdrawal and equalities. It concluded that the council has reasonable procedures and practices in place to support a positive conclusion. Overall, the council is working towards achieving areas of Best Value where they are recognised, and there is a positive attitude towards maintaining this pace. The council's transformation programme continues to progress positively, though as suggested in the council's most recent BVAR, it will need to keep up with the pace expected.</p>

Council Date of BVAR	Progress reported in 2020/21 <u>annual audit reports (AARs)</u>
<b><u>Scottish Borders Council</u></b> October 2019	<p>The council has identified 40 actions to address the seven BVAR recommendations from October 2019. The council report that progress against the 40 actions supporting the recommendations has been slow as the officers responsible for the implementation were heavily involved in the response to the Covid-19 pandemic. Of the actions, 30 per cent are fully complete, 60 per cent are partially complete and the remainder are less than 20 per cent complete.</p>
<b><u>Highland Council</u></b> January 2020	<p>The council approved its BVAR Improvement Plan in March 2020. The council has made good progress in implementing its BVAR Improvement Plan actions, despite challenges from the Covid-19 pandemic. But further work is required to fully deliver on these. Three of the seven recommendations are complete or on target and four are delayed, primarily due to the implications of Covid-19. Of all actions in the Best Value improvement plan, 69 per cent are complete and on target.</p>
<b><u>Argyll and Bute Council</u></b> May 2020	<p>The council has made good progress against its BVAR recommendations, despite the challenging environment. The BVAR was published at a time when the council were focussed on the response to Covid, meaning progress in implementing agreed actions was delayed.</p> <p>A Best Value action plan was presented to the audit and scrutiny committee in March 2021. Improvements have been made in some areas, but is more limited in others, due to the impact of Covid-19. The council should review the BVAR action plan to revise actions and key dates to inject pace and momentum into the work.</p>
<b><u>North Ayrshire Council</u></b> June 2020	<p>The council has continued to make good progress with transformation, in particular the development of the Recovery and Renewal Strategy and Renewal Programme, in response to the Covid-19 pandemic. Auditors noted that a comprehensive Transformation Benefits Realisation Monitoring Framework has been developed, as recommended in the BVAR audit report, and a clear set of governance arrangements are in place.</p>
<b><u>Moray Council</u></b> August 2020, follow up March 2022	<p>As reported in our <a href="#">follow up report</a> in March 2022, the council approved a BVAR strategic action plan in October 2020 to address the findings and the recommendations of the BVAR published in August 2020. The council routinely monitors and reports progress against its plan. By September 2021, the council had reported that the short-term actions were largely complete and is moving to address medium- and long-term actions. The council has made progress in some important areas, while dealing with the ongoing demands of the Covid-19 pandemic but ongoing challenges remain. Further work was reported in a follow up report: see page 14.</p>
<b><u>Dundee City Council</u></b> September 2020	<p>Good progress has been made against many recommendations in the BVAR, but this has been impacted by Covid-19. An update in April 2021 noted that three of the of 31 actions were complete and four were behind schedule due to Covid-19.</p>

Council Date of BVAR	Progress reported in 2020/21 <u>annual audit reports (AARs)</u>
<b><u>Aberdeenshire Council</u></b> October 2020	Work undertaken in response to the BVAR provides a good foundation to go forward. The new arrangements need to be refined and embedded to enable a culture of continuous improvement to be demonstrated and supported. The overall pace of change has been slower than intended by the council.
<b><u>City of Edinburgh Council</u></b> November 2020	Overall progress has been made against all of the BVAR recommendations. Approaches to addressing the recommendations have been confirmed, it is now important that further detailed work is completed to support these approaches.

Source: 2020/21 Annual Audit Reports, and information provided by appointed auditors.

# Appendix 3

## Accounts Commission 2021/22 report downloads and social media statistics

Report	Publication date	Report downloads <sup>1</sup>	Social media views <sup>2</sup>	Social media engagement <sup>3</sup>
<a href="#">Local government in Scotland Overview 2021</a>	May 2021	3,749 (2,565)	32,132	1.8%
<a href="#">Social care</a>	June 2021	1,955	32,555	1.7%
<a href="#">Best Value Assurance Report: Aberdeen City Council</a>	June 2021	1,106	3,414	3.5%
<a href="#">Accounts Commission Strategy 2021-26</a>	September 2021	722	3,211	2.8%
<a href="#">Best Value Assurance Report: East Dunbartonshire Council</a>	September 2021	590	2,090	4.4%
<a href="#">The impact of Covid-19 on Scottish councils' benefit services</a>	October 2021	379	n/a	n/a
<a href="#">Auditing climate change: An update</a>	October 2021	756	12,593	2.2%
<a href="#">Best Value Assurance Report: South Ayrshire Council</a>	October 2021	673	2,921	2.7%
<a href="#">Community empowerment: Covid-19 update</a>	October 2021	2,517	42,201	1.7%
<a href="#">Best Value Assurance Report: Falkirk Council</a>	January 2022	911	1,698	6.8%
<a href="#">Social Care Briefing</a>	January 2022	2,278	18,630	3.4%

Report	Publication date	Report downloads <sup>1</sup>	Social media views <sup>2</sup>	Social media engagement <sup>3</sup>
<a href="#"><u>Best Value Assurance Report: Moray Council - progress report</u></a>	March 2022	304	2,214	3.0%
<a href="#"><u>Drug and alcohol services: An update</u></a>	March 2022	855	16,035	4%
<a href="#"><u>Local government in Scotland: Financial overview 2020/21</u></a>	March 2022	770 (3,738)	16,503	2.3%
<a href="#"><u>Scotland's economy: Supporting businesses through the Covid-19 pandemic</u></a>	March 2022	545	7,693	10.4%
<a href="#"><u>The 2020/21 audit of Orkney and Shetland Valuation Joint Board</u></a>	March 2022	268	1,800	5.4%

Key	Report downloads	Social media views	Social media engagement
Lower	<500	<2,000	<2%
Medium	500–2,000	2,000–20,000	2–4%
Higher	>2,000	>20,000	>4%

**Notes:** All data as of end of March 2022.

1. Number for equivalent report in 2020/21 shown in brackets
2. Across all social media platforms.
3. Figures represent the percentage of shares, likes or comments per person viewing the social media post.

# Annual report

2021/22

The Accounts Commission's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit: [www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

For the latest news follow us on social media or [subscribe to our email alerts](#).



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

ISBN 978 1 913287 85 6

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

Policy Title	Accounts Commission Annual Report 2021/22
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – tim.baulk@south-ayrshire.gov.uk

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Thematic Groups: Health, Human Rights & Children's Rights	-	-

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low
<b>Foster good relations</b> between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

## 5. Summary Assessment

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<del>YES</del> <b>NO</b>
<b>Rationale for decision:</b>  <b>This report advises Members of the findings of the report by the Accounts Commission. Their decision on this has no specific equality implications</b>	
<b>Signed :</b> Tim Baulk	<b>Head of Service</b>
<b>Date:</b> 23 September 2022	

**South Ayrshire Council**

**Report by Chief Executive  
to Audit and Governance Panel  
of 5 October 2022**

---

**Subject:     Audit Report**

---

**1.     Purpose**

1.1     The purpose of this report is to update the Panel on progress towards addressing the recommendations of the fact finding audit undertaken by Audit Glasgow (the Internal Audit team from Glasgow City Council).

**2.     Recommendation**

2.1     **It is recommended that the Panel scrutinises the contents of this report.**

**3.     Background**

3.1     At its meeting on 23 February 2022, the Audit and Governance Panel agreed a number of actions to address the recommendations of the fact finding audit.

3.2     A report outlining progress towards implementing the approved actions was submitted to the Audit and Governance Panel of 22 June 2022. The remaining actions to be addressed were in respect of a review of valuations applied in previous land transfers and consideration of the transfer of land at Mainholm from General Services Account to the Housing Revenue Account

**4.     Proposals**

4.1     An update on progress towards implementing the outstanding actions is provided in [Appendix 1](#) for Members' review. All actions agreed by Audit and Governance Panel in February 2022 have now been completed.

**5.     Legal and Procurement Implications**

5.1     There are no legal implications arising from this report.

5.2     There are no procurement implications arising from this report.

**6.     Financial Implications**

6.1     Not applicable.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 If the recommendations are rejected then there is a risk that elected members may be expected to take decisions without being given all required information and advice.

## **9. Equalities**

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 2](#).

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to Commitments 1, 4 and 5 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness; South Ayrshire Works/ Make the most of the local economy; and Stand up for South Ayrshire/ Increase the profile and reputation of South Ayrshire and the Council.

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers**    **Report to Audit and Governance Panel of 23 February 2022 –  
Audit Report (Members only)**

**Report to Audit and Governance Panel of 22 June 2022 –  
[Audit Report](#)**

**Person to Contact**    **Eileen Howat, Chief Executive  
County Buildings, Wellington Square, Ayr, KA7 1DR  
Phone 01292 612612  
E-mail [eileen.howat@south-ayrshire.gov.uk](mailto:eileen.howat@south-ayrshire.gov.uk)**

**Date: 23 September 2022**

**Actions approved by Audit and Governance Panel of 23 February 2022**

<b>Action</b>	<b>Responsibility</b>	<b>Due Date</b>	<b>Progress</b>
A review is undertaken of valuations applied in other land transfers	Chief Internal Auditor	June 2022	Complete– A review of all Panel papers completed and transfers from 2016 to date identified. Briefing note detailing findings was circulated to Members on 12 July 2022
An updated report on transfer of site at Mainholm to HRA is presented to Elected Members	Director - Place	June 2022	Complete - Updated report presented to Cabinet on 30 August 2022

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

Policy Title	Audit Report
Lead Officer (Name/Position/Email)	Eileen Howat, Chief Executive – eileen.howat@south-ayrshire.gov.uk

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Thematic Groups: Health, Human Rights & Children's Rights	-	-

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low
<b>Foster good relations</b> between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

## 5. Summary Assessment

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<del>YES</del>  <b>NO</b>
<b>Rationale for decision:</b>  <b>This report provides an update on progress towards addressing the recommendations of the fact finding audit undertaken by Audit Glasgow</b>	
<b>Signed :</b> Eileen Howat <b>Chief Executive</b>  <b>Date:</b> 8 July 2022	