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| Report To: | Inverclyde Integration Joint Board Audit Committee | Date: 2 November 2020 |
| Report By: | Louise Long, Corporate Director (Chief Officer) Inverclyde Health & Social Care Partnership | Report No: IJBA/10/2020/LA |
| Contact Officer: | Lesley Aird | Contact No: 01475 715381 |
| Subject: | AUDIT SCOTLAND COVID 19 GUIDE FOR AUDIT COMMITTEE | |

1.0 PURPOSE

- 1.1 The purpose of this report is to provide a position statement and action plan in relation to the Audit Scotland Covid 19 Guide for Audit Committees which was published in August 2020.

2.0 SUMMARY

- 2.1 Appendix A contains the Audit Scotland Covid 19 Guide for Audit and Risk Committees. This report highlights current recommended practice in responding to the pandemic and provides an opportunity to highlight some of the good work that has already taken place locally around this.
- 2.2 This report provides an update on the Inverclyde IJB position in relation to the recommendations detailed in the Audit Scotland report. The Audit Scotland report contains 46 recommended areas for review by Audit Committees, against this for Inverclyde:
- 23 actions are complete or require no IJB action,
 - 20 are considered low risk and work is already in progress,
 - 2 are considered low-medium risk and actions are in place already to mitigate these as well.
 - UPDATE ONCE QUESTION 6 is ranked

No further actions beyond those already in place are recommended in light of the Audit Scotland report.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the IJB Audit Committee notes the report and the work that has taken place around this.

Louise Long
Chief Officer

Lesley Aird
Chief Financial Officer

4.0 INVERCLYDE POSITION

4.1 The Audit Scotland report splits into 4 main control areas and poses a number of questions in relation to each of these. The questions and Inverclyde IJB position against each are noted below. An overarching summary is shown in the table below:

| | Complete/Not Applicable or For Info | Low Risk – work in progress | Low-Medium Risk work in progress |
|----------------------------------|-------------------------------------|-----------------------------|----------------------------------|
| Internal Controls and Assurance | 9 | 6 | 1 |
| Financial Management & Reporting | 6 | 3 | - |
| Governance | 5 | 6 | - |
| Risk Management | 5 | 4 | 1 |
| TOTAL | 25 | 19 | 2 |

On all of the questions raised actions are already in place to address the control risks concerned. No additional actions recommended at this time.

4.2 Internal Controls and Assurance

The IJB places reliance on the internal controls in place through the Council and Health Board where all contracts and transactions are managed. The following responses are predicated on that approach and are ranked:

- 7 Blue – completed actions and actions not applicable to the IJB
- 7 Green – work in progress/low risk
- 1 Amber – low-medium risk, work ongoing
- 0 Red – high risk, more work required

| | Consideration | Inverclyde IJB Position |
|---|--|--|
| 1 | What changes to internal controls have been required due to Covid-19? | <u>Complete</u> HOS HCC responsible for authorising all Covid related spend Additional monitoring of Covid spend through SMT and the LMP process reported to IJB and Scot Govt |
| 2 | Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls? | <u>Risk Low</u> Not specifically, although the Chief Internal Auditor was consulted as part of the agreed authorisation process. The Chief Internal Auditor for the Council has provide input to the design of revised internal controls for the Council as appropriate. |
| 3 | What new controls have been established to account for the distribution of any additional funds received? | <u>Complete</u> <u>Provider Sustainability Payments</u> is the main payment to external parties. SG/COSLA guidance is in place around these payments. To oversee this internally a new Claim Approval Group and Process has been set up. |

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| | | Internal Audit was consulted in finalising these arrangements |
| 4 | Have officers identified any weaknesses in new controls and if so, how are these being addressed? | <u>Complete</u> There was a potential weakness around the provider payments and the actions outlined in 3 above were put in place to address this |
| 5 | To what extent has your organisation assessed the impact of working remotely on the control environment and working practices? | <u>Complete</u> Risk assessments were carried out for all staff when working arrangements were changed and these are updated if/when the arrangements change |
| 6 | Has internal audit reviewed their audit plan and assessed which projects might need to be cancelled, postponed or accelerated as your organisation navigates its way through the pandemic? | Complete The Internal Audit plan for 20/21 for the Integration Joint Board considers key risks identified in the IJB's risk register. The provision of Internal Audit Services to the IJB is through Inverclyde Council and there is contingency time available within the Council's annual audit plan for 20/21 should specific work be required in relation to the IJB. |
| 7 | How is management supporting internal audit to balance its 'routine' programme of work and that required to respond to Covid-19-related audit work? | <u>Risk Low – work ongoing</u> IJB audit days are minimal – management are able to fully support these as required |
| 8 | What impact has Covid-19 had on the annual reporting and accounting process? <ul style="list-style-type: none"> • Has your organisation's timetable for the annual reporting process been considered for 2019/20 and 2020/21? If so, have the timetables been revised and updated accordingly? • Has the external auditor's annual audit plan been updated to assess and address new risks? | <u>Complete</u> Internal Audit and Finance were able to stick to usual deadlines for the 2019/20 annual report and accounts and expect to be able to do the same for 2020/21. Audit Scotland (AS) deferred the external audit process. Annual Accounts due to go to the IJB 2 nd Nov for final sign off AS did not update their 19/20 audit plan for covid risks. As the pandemic broke in March 2020 it didn't have a huge impact on the 19/20 financial year so no additional risks were included in AS work. AS have confirmed they will assess the risk for the 20/21 financial year – the AS Annual Audit Report for this year will outline this assessment looking forward. |
| 9 | To what extent has your organisation considered work undertaken by other | <u>Complete</u> The CO, CSWO and CFO are in |

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| | organisations (via professional networks and bodies), or where appropriate, engaged with external experts to inform decision-making around significant areas of change in response to the pandemic? | regular contact with sector networks to ensure we align with best practice across the sector. In addition we work closely with HB and Council colleagues to ensure we align with their pandemic response and planning too. |
| 10 | How have IT services performed during the pandemic? | <u>Risk Low/Medium – work ongoing</u> There were some understandable initial IT issues as staff moved quickly to agile working platforms at the start of the pandemic. IT is working better now but is still limited by the fact that Council IT use WebEx as their video conferencing platform and Council staff don't have proper access to MS Teams |
| 11 | To what extent have cyber security controls been considered? | <u>Not Applicable to IJB</u> The HSCP relies on the security controls in place within the Council and Health Board IT structures |
| 12 | To what extent has management assessed the impact of Covid-19 on overall staff capacity? | <u>Risk Low – work ongoing</u> Initially the SMT and Service Managers reviewed staffing levels and identified potential gaps on a daily basis. As the pandemic progressed staff absence reduced and this was moved to a weekly review. A staff wellbeing initiative has also been put in place to support staff throughout the pandemic |
| 13 | What areas have been identified as being under resourced and how is this being addressed? | <u>Risk Low – work ongoing</u> Homecare was an initial area of concern due to high staff absence at the beginning of the pandemic. Additional temp staffing was brought in to address this. This process has continued throughout as required and if appropriate staff have been redeployed from other services |
| 14 | What is your organisation doing to support its staff during the pandemic? <ul style="list-style-type: none"> To what extent have workload and working practices been adjusted to allow for the challenges that people may face when working remotely? What guidance, advice or signposting has your organisation put in place to support staff wellbeing? | <u>Risk Low – work ongoing</u> A staff wellbeing initiative has been developed to ensure we have a robust understanding of any staff concerns/wellbeing issues and ensure that we are effectively addressing these. All staff have been encouraged to fill in surveys and make use of the available wellbeing resources and supports |
| 15 | What opportunities and risks have arisen as staff are deployed across departments? | <u>Complete</u> Training has been done prior to staff transferring into key services |

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| | | as required to minimise risks. The opportunity that has arisen is that recruitment in home care is at an all time high as a result of the pandemic |
| 16 | How is your organisation capturing the learning and opportunities that arise from new ways of working? | <u>Risk Low – work ongoing</u> A lessons learned report was prepared and is being regularly reviewed and updated as we move through the pandemic. Action plans are developed as required as part of this process |

4.3 Financial management and reporting

The IJB places reliance on the financial monitoring and reporting processes in place through the Council and Health Board. The CFO has access to Health systems and detailed reporting but for Social Care reliance is placed on the work done by the Council Finance department. The following responses are predicated on that approach and are ranked:

- 6 Blue – completed actions and actions not applicable to the IJB
- 3 Green – work in progress/low risk
- 0 Amber – low-medium risk, work ongoing
- 0 Red – high risk, more work required

| | Consideration | Inverclyde IJB Position |
|---|--|---|
| 1 | Is financial (and performance) information received in a timely manner, with sufficient detail, to inform the fast-paced changes that are required due to Covid-19? | <u>Risk Low – work ongoing</u> Financial information was initially submitted to Scot Govt on a weekly basis, this has now moved to monthly. The financial information is reviewed regularly as part of this process. This is reviewed regularly by the SMT and reported to each IJB meeting with verbal updates for significant changes since the paper has been written |
| 2 | How is management assessing the financial impact of Covid-19 on income and expenditure? What processes or procedures have been put in place to assess, for example, new demands, new expenditure streams, savings from activity foregone and lost income? | <u>Risk Low – work ongoing</u> This is reviewed through the Management Accounts process. New demands and costs are being reviewed and factoring in to the monitoring processes as are any offsetting underspends |
| 3 | What information has been used in determining the value of assets and liabilities? <ul style="list-style-type: none"> • To what extent have estimated valuations been impacted by Covid-19, for example, disruption to the revaluation of properties or market volatility impacting on | Not applicable for an IJB |

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| | <p>investments?</p> <ul style="list-style-type: none"> • What is the likely impact of Covid-19 on pension deficits and what does this mean for your organisation? | |
| 4 | <p>What commitments and guarantees have been made to third parties, and how are these being monitored?</p> | <p><u>Complete</u> SG made a commitment around Provider Sustainability Payments. COSLA developed and circulate guidance to IJBs and providers around the claim process for these payments. Internally we have created a claims approval process and claims approval group to monitor and control these commitments and payments</p> |
| 5 | <p>Where relevant, how is your organisation ensuring that the impacts of the pandemic on its arm's-length external organisations (ALEOs) are being appropriately monitored?</p> | <p>Not applicable – no ALEOs</p> |
| 6 | <p>What impact has Covid-19 had on savings plans? Is your organisation on track to deliver these savings and if not, what plans are your organisation putting in place to help with this?</p> | <p><u>Complete</u> For Inverclyde only £50k of our 20/21 agreed savings was impacted by covid. This saving related to a charging increase which has not been able to be delivered. This £50k is reflected in the LMP return</p> |
| 7 | <p>What impact has Covid-19 had on transformational activity?</p> | <p><u>Complete</u> The pandemic required services to transform in a very short timeframe. Longer term non essential transformation projects have been put on hold and transformation work is focussed on business continuity during the pandemic</p> |
| 8 | <p>If there has been or will be significant delays to activity or a failure to meet savings targets, what are the financial implications and how is management preparing for this?</p> | <p><u>Complete</u> See 6 above - £50k total impact and this has been included in the LMP</p> |
| 9 | <p>Is there sufficient capacity within the finance team to deal with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19?</p> | <p><u>Risk Low – work ongoing</u> The IJB Finance team is only 1.5 WTE strong. A part time CFO and a full time Health Management Accountant. Social Care financial info is provided by the Council finance team. Based on that, while it has been challenging at times there has sufficient capacity within the IJB team to deliver everything we are required to deliver</p> |

4.4 Governance

The following responses are predicated on that approach and are ranked:

- 5 Blue – completed actions and update for info, no specific action required
- 6 Green – work in progress/low risk
- 0 Amber – low-medium risk, work ongoing
- 0 Red – high risk, more work required

| | Consideration | Inverclyde IJB Position |
|---|--|--|
| 1 | How is your organisation ensuring that effective oversight and scrutiny of key decisions is maintained as it responds rapidly to the challenges it faces during the pandemic? | <p><u>Risk Low – work ongoing</u> SMT is meeting several times a week and a formal weekly meeting is minuted as are all sub groups which are in place or have been set up during the pandemic eg SPF, Recovery Group etc</p> <p>The IJB is also a formally minuted meeting</p> <p>Agreed/outstanding actions are reviewed at the start of each meeting to ensure we don't lose sight of agreed actions over time</p> |
| 2 | Have any significant changes been made to governance arrangements due to the pandemic, for example, suspension of committees or increased use of delegated decision-making powers? | <p><u>Complete</u> The IJB and Audit Committee moved to virtual meetings due to the pandemic, new meeting protocols were put in place around this. In the first few weeks of the pandemic the Chief Officer used emergency powers to authorise Covid-related spend. These decisions were ratified through weekly meetings with the IJB Chair and Vice Chair and formally ratified by the IJB through the regular monitoring report process</p> |
| 3 | Where decisions are being made using delegated or emergency powers, how are these being recorded, made public and subjected to scrutiny by the relevant committee(s)? | <p><u>Complete</u> Recording & publication of decisions – Regular updates on decisions made relating to covid 19 are given to the IJB at each meeting.</p> <p>IJB and Audit Committee meetings are open to the public and papers and minutes are published on the Council website</p> |
| 4 | Have changes to processes and procedures made in response to Covid-19 been reviewed and documented appropriately to comply with overall governance arrangements? | <p><u>Complete</u> A paper detailed interim governance arrangements and a move to virtual meetings went to the IJB in May – this paper is available on the website</p> |
| 5 | Are governance arrangements being reviewed regularly to ensure they remain fit for purpose? | <p><u>Risk Low – work ongoing</u> These arrangements are regularly reviewed by the Chief Officer, Chair and Vice Chair through their</p> |

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| | | weekly review meetings |
| 6 | Are non-executive directors providing appropriate levels of support, scrutiny and challenge to your organisation as it responds to the current environment and new risks? | <p><u>Risk Low – work ongoing</u></p> <p>IJB scrutiny has always been good within Inverclyde with members being fully engaged and happy to scrutinise, query and challenge as appropriate. This has continued throughout the pandemic.</p> |
| 7 | <p>What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?</p> <p>How have these barriers been overcome?</p> <p>What was the impact on service users?</p> | <p><u>Risk Low – work ongoing</u></p> <p>Social distancing and lockdown made face to face service delivery difficult for some services. Alternative contact arrangements were made for not essential services initially eg telephone and video calls. This was monitored closely throughout by service managers to ensure safe service delivery was maintained. As part of the recovery planning work phased step up arrangements were carefully planned and implemented as lockdown restrictions changed</p> |
| 8 | What impact has Covid-19 had on your organisation achieving its stated objectives? | <p><u>Update for Info no specific action required</u></p> <p>The pandemic has led to early delivery of some objectives around digital roll out and agile working. It has also led to delay in other objectives. The SMT, EMT, SPG and IJB are reviewing and updating the strategic plan objectives for 20/21 and 21/22 to reflect this and ensure we are also reflecting new Scot Govt objectives around things like expanded flu vaccinations and track & trace etc</p> |
| 9 | Does performance reporting highlight any changes on your organisation's ability to meet its objectives as a consequence of Covid-19? | <p><u>Risk Low – work ongoing</u></p> <p>Performance monitoring is ongoing and it is anticipated that this will have an impact on the delivery of some objectives and outcomes this year.</p> <p>The SMT, EMT, SPG and IJB are reviewing and updating the strategic plan objectives for 20/21 and 21/22 to reflect this and ensure we are also reflecting new Scot Govt objectives around things like expanded flu vaccinations and track & trace etc</p> |
| 10 | Has the pandemic caused new risks to achieving your organisation's objectives? If so, how are these being addressed? | <p><u>Complete</u></p> <p>At the start of the pandemic a covid risk register was created. This has now been merged with the operational risk register and is</p> |

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| | | reviewed and updated weekly through the LRMT meetings |
| 11 | What impact has Covid-19 had on collaborative working? | <u>Risk Low – work ongoing</u> Inverclyde was already doing a lot of collaborative working before the pandemic. Since March it's a mixed picture some additional work has taken place but some planned collaborative projects have had to be put on hold |

4.5 Risk Management

Operational risks are managed through the Council and Health Board risk management processes and high level operational risks are reported to the IJB for noting. The IJB is responsible for oversight and management of strategic risks. The IJB risk register was updated in June to reflect the impact of the pandemic. The following responses are predicated on that approach and are ranked:

- 5 Blue – completed actions and actions not applicable to the IJB
- 4 Green – work in progress/low risk
- 1 Amber – low-medium risk, work ongoing
- 0 Red – high risk, more work required

| | Consideration | Inverclyde IJB Position |
|---|--|--|
| 1 | Are there new expenditure or procurement streams, or delivery methods arising from Covid-19 that introduce new risk? | <u>Risk Low – work ongoing</u> See Finance section above. SG made a commitment around Provider Sustainability Payments. COSLA developed and circulate guidance to IJBs and providers around the claim process for these payments. This guidance makes it clear that it only covers existing providers for each IJB so there is no additional procurement stream around this. Internally we have created a claims approval process and claims approval group to monitor and control these commitments and payments |
| 2 | What indicators does management have to support informed decisions on risk and is this data available in real time? | <u>Risk Low – work ongoing</u> The risk register is reviewed and updated weekly through the Covid LRMT meetings. Key risk scores are reviewed and updated as part of this process |
| 3 | Is your organisation's risk management strategy up-to-date to include risks associated with Covid-19? | <u>Complete</u> A Covid risk register is in place and reviewed weekly |
| 4 | What risks have emerged that need to be addressed and what protocols are in place to report and analyse emerging risks as the situation evolves? | <u>Risk Low – work ongoing</u> Risks identified initially have changed over the course of the pandemic. Initially staff absence was a very high risk but over time this risk has reduced significantly |

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| | | as staff returned to work. This is monitored and controlled through the LRMT risk register review each week |
| 5 | Are risks being reported to the relevant committee? | <u>Complete</u> The risk register is reviewed weekly through LRMT and reported regularly through the Health Board and Council risk reporting processes and twice a year to the IJB Audit Committee |
| 6 | Has your organisation's risk register been updated to reflect new risks arising from Covid-19? | <u>Complete</u> Covid risk register created and reviewed/updated weekly |
| 7 | Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment? | <u>Complete</u> We are working closely with the Council and Health Board in relation to this as operational risks are their responsibility not the IJBs. The IJB is just responsible for Strategic Risk and its risk register was updated in June 2020 linked to Covid. Risks are being closely monitored throughout and are in keeping with the current risk appetite |
| 8 | If so, when will the committee be informed of the outcome and any next steps? | <u>Complete</u> Already done see above |
| 9 | How does Covid-19 impact on any financial risks already facing your organisation and how does this affect short, medium and long-term financial plans? | <u>Risk low-medium – work ongoing</u> Costs relating to Covid are closely monitored and reported to SG. The risk around this relates to costs vs additional funding and whether final funding will cover the entirety if the additional costs or if the IJB will have to cover a gap in this funding. The CO and CFO are part of national networks in regular discussion with SG to minimise this risk. The medium-long term financial plan is reviewed and updated annually and any potential Covid impact will be factored into that process |
| 10 | What impact does Covid-19 have on any scenario planning that your organisation has in place for events such as EU withdrawal and increasing budget uncertainty? | <u>Risk Low – work ongoing</u> Brexit contingency planning has continued and planning is being updated to reflect the impact of the pandemic. As the pandemic continues this is an ongoing piece of work. Scenario planning exercises are facilitated by CCS around the implication of local outbreaks occurring at the same |

5.0 DIRECTIONS

| | | |
|---|---------------------------------------|---|
| 5.1 Direction Required to Council, Health Board or Both | Direction to: | |
| | 1. No Direction Required | X |
| | 2. Inverclyde Council | |
| | 3. NHS Greater Glasgow & Clyde (GG&C) | |
| | 4. Inverclyde Council and NHS GG&C | |

6.0 IMPLICATIONS

6.1 FINANCE

There are no financial implications arising from this report.

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report £000 | Virement From | Other Comments |
|-------------|----------------|--------------|------------------------------------|---------------|----------------|
| N/A | | | | | |

Annually Recurring Costs / (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact £000 | Virement From | Other Comments |
|-------------|----------------|------------------|---------------------------|---------------|----------------|
| N/A | | | | | |

LEGAL

6.2 There are no specific legal implications arising from this report.

HUMAN RESOURCES

6.3 There are no specific human resources implications arising from this report.

EQUALITIES

6.4 There are no equality issues within this report.

Has an Equality Impact Assessment been carried out?

| | |
|---|---|
| | YES (see attached appendix) |
| √ | NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required. |

6.5 How does this report address our Equality Outcomes?

There are no Equalities Outcomes implications within this report.

| Equalities Outcome | Implications |
|---|---------------------|
| People, including individuals from the above protected characteristic groups, can access HSCP services. | None |
| Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated. | None |
| People with protected characteristics feel safe within their communities. | None |
| People with protected characteristics feel included in the planning and developing of services. | None |
| HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do. | None |
| Opportunities to support Learning Disability service users experiencing gender based violence are maximised. | None |
| Positive attitudes towards the resettled refugee community in Inverclyde are promoted. | None |

6.6 CLINICAL OR CARE GOVERNANCE IMPLICATIONS

There are /are no governance issues within this report.

6.7 NATIONAL WELLBEING OUTCOMES

How does this report support delivery of the National Wellbeing Outcomes

There are no National Wellbeing Outcomes implications within this report.

| National Wellbeing Outcome | Implications |
|--|---------------------|
| People are able to look after and improve their own health and wellbeing and live in good health for longer. | None |
| People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community | None |
| People who use health and social care services have positive experiences of those services, and have their dignity respected. | None |
| Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services. | None |
| Health and social care services contribute to reducing health inequalities. | None |
| People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing. | None |
| People using health and social care services are safe from harm. | None |

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| People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide. | None |
| Resources are used effectively in the provision of health and social care services. | None |

7.0 CONSULTATION

7.1 This report was prepared in consultation with the Chief Officer, Chief Internal Auditor, IJB Chief Finance Officer and the IJB Standards Officer.

8.0 BACKGROUND PAPERS

8.1 None.

Covid-19

Guide for audit and risk committees



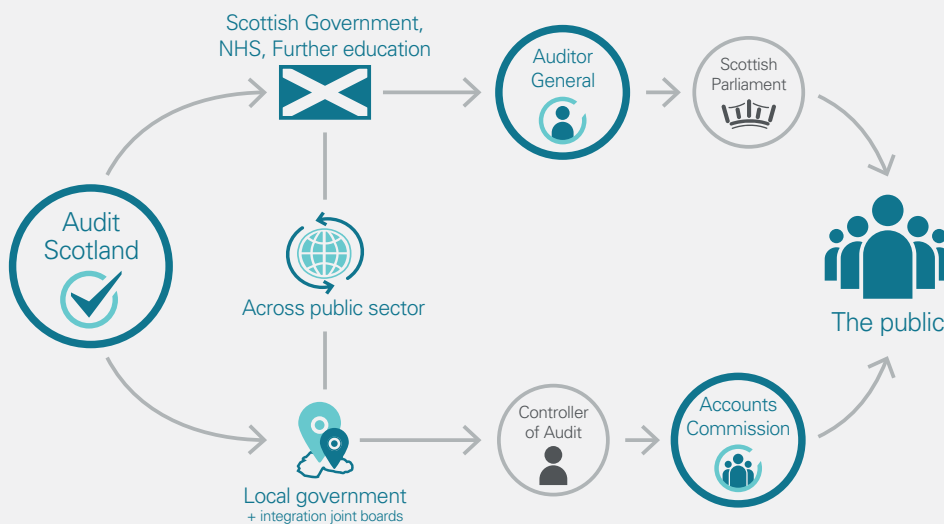
 **AUDIT SCOTLAND**

Prepared for public bodies and auditors
August 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Introduction

1. Covid-19 has already had a significant impact on every aspect of society in Scotland. It has affected individuals and communities, public services and the economy.
2. The response of public-sector bodies has been strong, and the pandemic has highlighted some of their key strengths, such as agility and partnership working. But Covid-19 has also exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. A difficult road lies ahead as public bodies move from response to recovery and renewal.
3. Audit and risk committees have a crucial role to play in providing effective scrutiny and challenge. They help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements. As public bodies manage their business during this global pandemic, the role of audit and risk committees becomes even more important.
4. This guide for audit and risk committees draws on our recent experience of auditing public bodies during the pandemic. It also refers to key sources of guidance such as the Scottish Government's [Scottish Public Finance Manual](#) and [On Board: a guide for members of statutory boards](#) and the Chartered Institute of Public Finance and Accountancy's *Audit Committees: Practical Guidance for Local Authorities and Police*.

Key issues for consideration by audit and risk committees during the Covid-19 pandemic

5. There are a wide range of short, medium and long-term risks and issues emerging from Covid-19 for public bodies to consider. This guide focuses on the short-term challenges facing public bodies in the response phase of the pandemic. During this phase, key areas that audit and risk committees will need to focus on include:
 - internal controls and assurance
 - financial management and reporting
 - governance
 - risk management.
6. This guide provides audit and risk committee members with suggested questions to help them effectively scrutinise and challenge in these key areas. Answering the questions in this guide will help audit and risk committees better understand how their organisation is responding to the pandemic and managing both the immediate and longer-term challenges that it creates.
7. Audit and risk committees must assure themselves that they are engaged and well-informed about the changes that are occurring and affecting their organisation due to Covid-19. For example, they should be informed of changes to internal reporting arrangements, and policy and legislative changes and the impact they are likely to have on the organisation. They should also be apprised of any fraud and error risks arising from the response to Covid-19.¹

¹ *Covid-19: Emerging fraud risks*, Audit Scotland, July 2020.

Internal controls and assurance

8. Public-sector staff are working under extreme pressure as a consequence of the scale and pace of change created by the pandemic and the need to respond rapidly to unfolding events. This may mean that some internal controls are suspended or relaxed. For example, the segregation of duties between colleagues for completing tasks and subsequent checks may not be possible due to unforeseen capacity issues or the lack of availability of more senior or experienced staff. Staff transfer between departments, for example, to new areas such as those responsible for distributing funding to support people and businesses most affected by Covid-19, may also leave some areas under-staffed. Furthermore, inexperienced staff may be working remotely without a full understanding of the required procedures and controls.

9. Internal audit provides independent assurance on governance arrangements, risk management and internal control processes. As the landscape changes, internal audit will have to consider its approach to audit planning and how it continues to deliver its assurance activities while balancing the workload created by new risks emerging from Covid-19.

10. As staff work remotely, there may also be potential security risks such as an increase in cyber-crime. For example, fraudsters may try to access public-sector systems by claiming to be legitimate technical support services or through phishing emails and scams.

11. [Exhibit 1](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 1

Internal controls and assurance – questions to consider

What changes to internal controls have been required due to Covid-19?

- Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls?

What new controls have been established to account for the distribution of any additional funds received?

- Have officers identified any weaknesses in new controls and if so, how are these being addressed?

To what extent has your organisation assessed the impact of working remotely on the control environment and working practices?

Has internal audit reviewed their audit plan and assessed which projects might need to be cancelled, postponed or accelerated as your organisation navigates its way through the pandemic?

How is management supporting internal audit to balance its 'routine' programme of work and that required to respond to Covid-19-related audit work?

What impact has Covid-19 had on the annual reporting and accounting process?

- Has your organisation's timetable for the annual reporting process been considered for 2019/20 and 2020/21? If so, have the timetables been revised and updated accordingly?
- Has the external auditor's annual audit plan been updated to assess and address new risks?

To what extent has your organisation considered work undertaken by other organisations (via professional networks and bodies), or where appropriate, engaged with external experts to inform decision-making around significant areas of change in response to the pandemic?

How have IT services performed during the pandemic?

- To what extent have cyber security controls been considered?
-

To what extent has management assessed the impact of Covid-19 on overall staff capacity?

- What areas have been identified as being under resourced and how is this being addressed?

What is your organisation doing to support its staff during the pandemic?

- To what extent have workload and working practices been adjusted to allow for the challenges that people may face when working remotely?
- What guidance, advice or signposting has your organisation put in place to support staff wellbeing?

What opportunities and risks have arisen as staff are deployed across departments?

How is your organisation capturing the learning and opportunities that arise from new ways of working?

Financial management and reporting

12. Public bodies face considerable uncertainty during the pandemic and as they plan for the future. Having robust financial management and transparent reporting arrangements in place is critical to ensuring that an organisation can manage its finances and deliver services effectively, identify issues and challenges early and act on them promptly.

13. Financial impacts of the pandemic could include a reduction in income generated from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, leisure, public transport and parking. Organisations may also face increased costs such as higher staff costs to cover the delivery of services. The economic uncertainty and market volatility caused by the pandemic also make it difficult for public bodies to value, for example, property portfolios, inventories and pension schemes.

14. A number of factors will affect how well an organisation can report on and manage its financial position at a time where it is facing significant pressure and challenge. For example, there is likely to be competing pressures on finance staff, significant changes in financial processes and procedures and the introduction of financial systems in new areas, such as those for Covid-19-related government relief, assistance and stimulus packages. [Exhibit 2](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 2

Financial management and reporting – questions to consider

Is financial (and performance) information received in a timely manner, with sufficient detail, to inform the fast-paced changes that are required due to Covid-19?

How is management assessing the financial impact of Covid-19 on income and expenditure?

- What processes or procedures have been put in place to assess, for example, new demands, new expenditure streams, savings from activity foregone and lost income?

What information has been used in determining the value of assets and liabilities?

- To what extent have estimated valuations been impacted by Covid-19, for example, disruption to the revaluation of properties or market volatility impacting on investments?
- What is the likely impact of Covid-19 on pension deficits and what does this mean for your organisation?

What commitments and guarantees have been made to third parties, and how are these being monitored?

- Where relevant, how is your organisation ensuring that the impacts of the pandemic on its arm's-length external organisations (ALEOs) are being appropriately monitored?
-

What impact has Covid-19 had on savings plans?

- Is your organisation on track to deliver these savings and if not, what plans are your organisation putting in place to help with this?

What impact has Covid-19 had on transformational activity?

- If there has been or will be significant delays to activity or a failure to meet savings targets, what are the financial implications and how is management preparing for this?

Is there sufficient capacity within the finance team to deal with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19?**Governance**

15. The pace and scale of change is unprecedented, and changes in governance arrangements are likely to have taken place. This may mean that there has been less opportunity for scrutiny and due diligence as public bodies respond rapidly to the challenges arising from Covid-19. For example, urgent procurement decisions and changes to delegated authority arrangements may have impacted on the level of scrutiny.

16. Governance and accountability arrangements around collaborative working may be increasingly complex but when done effectively, allows for better planning, design and coordination of services. Many aspects of public bodies' responses to the pandemic can only be done in partnership with others.

17. Recent changes to governance arrangements due to Covid-19 may include basic alterations such as documenting authorisation processes through to oversight of the overall running of the business. [Exhibit 3](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 3**Governance – questions to consider****What impact has Covid-19 had on governance arrangements?**

- How is your organisation ensuring that effective oversight and scrutiny of key decisions is maintained as it responds rapidly to the challenges it faces during the pandemic?
- Have any significant changes been made to governance arrangements due to the pandemic, for example, suspension of committees or increased use of delegated decision-making powers?
- Where decisions are being made using delegated or emergency powers, how are these being recorded, made public and subjected to scrutiny by the relevant committee(s)?
- Have changes to processes and procedures made in response to Covid-19 been reviewed and documented appropriately to comply with overall governance arrangements?

Are governance arrangements being reviewed regularly to ensure they remain fit for purpose?**Are non-executive directors providing appropriate levels of support, scrutiny and challenge to your organisation as it responds to the current environment and new risks?****What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?**

- How have these barriers been overcome?
- What was the impact on service users?

What impact has Covid-19 had on your organisation achieving its stated objectives?

- Does performance reporting highlight any changes on your organisation's ability to meet its objectives as a consequence of Covid-19?

- Has the pandemic caused new risks to achieving your organisation's objectives? If so, how are these being addressed?

What impact has Covid-19 had on collaborative working?

Risk management

18. While public bodies will have risk management processes in place, the likelihood and impact of existing risks and the emergence of new risks will need to be monitored carefully. There may also be a change in the risk appetite during the pandemic to allow for services to operate effectively and respond to issues in a timely manner. Some changes may be significant therefore officers and audit and risk committee members need to consider how sustainable these changes will be in the longer term.

19. Public bodies were already facing risks and challenges around, for example, financial sustainability, outcomes and inequalities. These risks and challenges have become greater due to Covid-19. They are also heightened further because of the uncertainty around the UK's exit from the European Union and increasing budget pressures.

20. [Exhibit 4](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 4

Risk management – questions to consider

Are there new expenditure or procurement streams, or delivery methods arising from Covid-19 that introduce new risk?

- What indicators does management have to support informed decisions on risk and is this data available in real time?
- Is your organisation's risk management strategy up-to-date to include risks associated with Covid-19?
- What risks have emerged that need to be addressed and what protocols are in place to report and analyse emerging risks as the situation evolves?
- Are risks being reported to the relevant committee?

Has your organisation's risk register been updated to reflect new risks arising from Covid-19?

Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment?

- If so, when will the committee be informed of the outcome and any next steps?

How does Covid-19 impact on any financial risks already facing your organisation and how does this affect short, medium and long-term financial plans?

What impact does Covid-19 have on any scenario planning that your organisation has in place for events such as EU withdrawal and increasing budget uncertainty?

Looking ahead

21. This is the second in a series of Covid-19 guides prepared for public bodies and auditors. Our first publication, [Covid-19 Emerging fraud risks](#), sets out a range of fraud risks that may arise due to the pandemic. By drawing on our position as external auditors across the public sector in Scotland, we have used our recent experience to develop these Covid-19 outputs. We will be issuing further guidance to public bodies to support them as they move beyond the response phase of the pandemic into recovery and renewal.

22. We invite feedback on how the role of external audit can further support public bodies as they respond to the challenges Covid-19 presents.

Further reading


- [Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19](#), National Audit Office, June 2020.
- Financial scrutiny practice guide, The Chartered Institute of Public Finance and Accountancy, June 2020.
- <https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/implications-audit-committees-arising-covid-19>
- <https://www.iaa.org.uk/covid-19-hub/covid-19-guidance/>

Covid-19

Guide for audit and risk committees

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

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

T: 0131 625 1500 E: info@audit-scotland.gov.uk 

www.audit-scotland.gov.uk 