

DATA LABEL: PUBLIC



**GOVERNANCE & RISK COMMITTEE**

**COVID 19: GUIDE FOR AUDIT AND RISK COMMITTEES**

**REPORT BY GOVERNANCE MANAGER**

**A PURPOSE OF REPORT**

To consider Audit Scotland's report "Covid-19: Guide for Audit & Risk Committees".

**B RECOMMENDATIONS**

1. To consider the messages in Audit Scotland's report in relation to governance and risk management
2. To note that Audit Committee on 26 October 2020 considered the themes of internal controls and assurance, and financial management and reporting
3. To determine if further reports or information are appropriate concerning issues within this committee's remit

**C SUMMARY OF IMPLICATIONS**

<b>I</b>	<b>Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II</b>	<b>Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Risk Management Strategy and Policy and reporting arrangements; Local Code of Corporate Governance and governance reporting arrangements; Standing Orders
<b>III</b>	<b>Implications for Scheme of Delegations to Officers</b>	None.
<b>IV</b>	<b>Impact on performance and performance Indicators</b>	Good governance contributes to and enables good decision-making
<b>V</b>	<b>Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs
<b>VI</b>	<b>Resources - (Financial, Staffing and Property)</b>	None
<b>VII</b>	<b>Consideration at PDSP</b>	None

**VIII Other consultations**

**Audit Risk & Counter Fraud Manager**

**D TERMS OF REPORT**

**1 Background**

- 1.1 In August 2020 Audit Scotland produced a report entitled “Covid-19: Guide for Audit & Risk Committees”. It acknowledges that the response of public-sector bodies has been strong (e.g., agility and partnership working) but that many pre-existing risks have been exacerbated (e.g., financial sustainability and service demand pressures). It states that audit and risk committees have a crucial role to play in providing effective scrutiny and challenge and to help focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements.
- 1.2 The guide focuses on the short-term challenges in relation to internal controls and assurance, financial management and reporting, governance, and risk management. It provides suggested questions to help audit and risk committee members effectively scrutinise and challenge in these areas. Audit Scotland considers that answering those questions will help audit and risk committees better understand how their organisation is responding to the pandemic and managing the challenges it creates. They make the point that these 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.
- 1.3 Of the four themes in the guide, this report invites consideration of governance and risk management. The other two, internal controls and assurance, and financial management and reporting, were considered by Audit Committee on 26 October 2020.

**2 Governance (Paragraphs 15 – 17)**

- 2.1 Audit Scotland consider that changes in governance arrangements are likely to have taken place, potentially resulting in less opportunity for scrutiny and due diligence as public bodies respond to the challenges of the pandemic. They highlight urgent procurement decisions being required, changes in delegated powers and their use, urgent introduction of collaborative and partnership working, and changes in procedures from documenting authorisation processes through to oversight of the overall running of the public body.
- 2.2 The guide proposes potential governance questions for members to consider. Those are reproduced in the appendix.

**3 Risk Management (Paragraphs 18 – 20)**

- 3.1 Audit Scotland confirm the likelihood and impact of existing risks and the emergence of new risks will need to be monitored carefully, and that there may also be a change in the risk appetite during the pandemic to allow services to operate effectively and respond to issues in a timely manner. Committee members should consider how sustainable these changes will be in the longer term. They go on to say that existing risks and challenges will have become greater due to Covid-19, uncertainty around the UK’s exit from the European Union, and increasing budget pressures.
- 3.2 The guide proposes potential risk management questions for members to consider. Those are reproduced in the appendix.

**4 Answering the questions**

4.1 When considering their responses to the questions posed, members may wish to return to reports and other documents presented to council, committees and PDSPs since meetings resumed in May 2020, including today's agenda items. Those reports include, but are not limited to, the following:-

- COVID-19: Use of Emergency Powers (Council Executive, 26 May) and use of Standing Order 31 (Council Executive, 26 May, 23 June and 6 October; Education Executive, 23 June)
- COVID-19: Update on Financial Impact for the Council and then budget monitoring reports (Council Executive, 26 May, 23 June, 18 August and 6 October)
- COVID-19 Update and COVID-19: Governance Issues (Governance & Risk Committee, 22 June)
- Corporate Governance – Annual Governance Statement (Governance & Risk Committee, 22 June) and Annual Report (Council Executive, 18 August)
- COVID-19: Recovery and Renewal Plan (Council Executive, 18 August)
- COVID-19 Impacts – Local Bus Contracts and Total Transport Review (Council Executive, 23 June)
- Re-opening of Schools and Early Learning and Child Care (Education Executive, 23 June, 4 August and 8 September; Council Executive, 23 June)
- Coronavirus (No. 2) (Sc) Act 2020 – Powers to Intervene in Care Provision (Council Executive, 23 June and 6 October)
- Annual Accounts and External Audit Report (West Lothian Council, 29 September)
- Annual Procurement Report (Council Executive, 18 August)
- COVID-19 Business Grant Fraud (Audit Committee, 26 October)
- COVID-19: Implications for Public Finances in Scotland (Audit Committee, 26 October)
- Resumption of service performance and financial performance reporting to PDSPs from 15 September

4.2 Further guidance will be issued as public bodies move beyond the response phase of the pandemic into recovery and renewal.

## **E CONCLUSION**

The report emphasises the importance of maintaining an effective framework of governance, risk management and internal control whilst dealing with the challenges presented by Covid 19. Consideration, scrutiny and challenge by members, and identification of any gaps or areas where information may be thought incomplete, will contribute to that task.

## **F BACKGROUND REFERENCES**

Audit Scotland report: Covid 19 Guide for Audit and Risk Committees (August 2020)  
[https://www.audit-scotland.gov.uk/uploads/docs/report/2020/as\\_200825\\_covid19\\_guide\\_audit\\_risk\\_comm.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2020/as_200825_covid19_guide_audit_risk_comm.pdf)

Appendices/Attachments: 1. Questions from Exhibits C and D of Audit Scotland's report

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**James Millar, Governance Manager**

Date of meeting: 9 November 2020

## **APPENDIX**

### **Governance questions**

1. What impact has Covid-19 had on governance arrangements?
  - a) 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?
  - b) 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?
  - c) 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)?
  - d) Have changes to processes and procedures made in response to Covid-19 been reviewed and documented appropriately to comply with overall governance arrangements?
2. Are governance arrangements being reviewed regularly to ensure they remain fit for purpose?
3. (Question relating to non-executive members deleted)
4. What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?
  - a) How have these barriers been overcome?
  - b) What was the impact on service users?
5. 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?
6. What impact has Covid-19 had on collaborative working?

### **Risk management questions**

1. Are there new expenditure or procurement streams, or delivery methods arising from Covid-19 that introduce new risk?
  - a) What indicators does management have to support informed decisions on risk and is this data available in real time?
  - b) Is your organisation's risk management strategy up-to-date to include risks associated with Covid-19?
  - c) 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?
  - d) Are risks being reported to the relevant committee?

2. Has your organisation's risk register been updated to reflect new risks arising from Covid-19?
3. Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment?
  - a) If so, when will the committee be informed of the outcome and any next steps?
4. 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?
  - a) 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?