

Minutes

Thursday 12 February 2026 10:00am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN, and online via Microsoft Teams
529th meeting of the Accounts Commission

Present:

Jo Armstrong (Chair)
Malcolm Bell
Nichola Brown
Andrew Burns
Andrew Cowie
Carol Evans
Jennifer Henderson
Angela Leitch
Christine Lester
Ruth MacLeod
Mike Neilson (*online*)
Derek Yule

In attendance:

Sarah Watters – Director for the Accounts Commission
Helena Gray – Controller of Audit
Joe Chapman – Policy Manager for the Commission
Alison Cumming – Executive Director of Performance Audit and Best Value (PABV)
Rachel Browne – Audit Director, Audit Services Group (ASG) (*items 5 and 11*)
Russell Smith – Audit Manager, ASG (*items 5 and 11*)
Martin McLauchlan – Senior Manager, PABV (*item 6*)
Tom Charman – Senior Auditor, PABV (*item 6*)
John Gilchrist – Senior Manager, Audit Quality and Appointments (AQA) (*items 10 and 13*)
Blyth Deans – Audit Director, PABV (*item 12*)
Kathrine Sibbald – Senior Manager, PABV (*item 12*)
Chris McClelland – Audit Manager, PABV (*item 12*)
Parminder Singh – Manager, AQA (*item 13*)
Paul O'Brien – Director of Quality and Support (*item 14*)
Fiona McKie – Director of Corporate Services (*item 16*)

1. Apologies for absence

There were no apologies received or required from members.

2. Declarations of connections

Angela Leitch, Carol Evans, Jennifer Henderson, Malcolm Bell and Nichola Brown each declared connections to item 13 (Funding Scottish public sector audit), due to their roles in audited public bodies that pay audit fees. After taking advice from the Director and Ethics Partner in advance of the meeting it was agreed that all five would recuse themselves and leave the room for that item.

The same five members also declared a connection to item 14 (Code of Audit Practice 2026 – draft for consultation), on a similar basis. However, having taken advice from the Director and Ethics Partner, they did not consider their respective connections material and therefore would remain in the meeting and participate in the discussion of these items.

Malcolm Bell also declared a connection to items 5 and 11 (Best Value: Shetland Islands Council), as he was Convener of the council until 2022. However, given the time that has passed since then, he did not believe it was a sufficiently material connection to require recusal, so the connection was declared in the interests of transparency.

3. Order of business

It was agreed that items 10 to 17 would be considered in private, for the reasons stated on the agenda.

4. Minutes and matters arising from previous meetings

The minutes of January's meeting were agreed as an accurate reflection, and the minutes were approved as final. Sarah Watters, Director for the Commission, provided the following updates on actions:

- Today's agenda includes the 2026/27 Scottish Budget briefing, and the Local government financial bulletin supplement which is published today.
- The Commission's Response Framework has now been published on the [Commission's website](#) (link to be shared with all members via the minutes).
- The record of whether Commission findings made in relation to 2022/23 and 2023/24 Best Value reports have been followed up (shared at the last meeting) will be updated and shared with members as soon as the Annual Audit Reports are published, and then a similar exercise will be conducted on an annual basis.

5. Best Value: Shetland Islands Council

The Commission considered the Controller of Audit's Best Value report on Shetland Islands Council. The discussion explored the following themes:

- Finance
 - Concern at the scale of 'unsustainable' use of reserves, with total usable reserves having fallen since 2022/23, though

uncommitted reserves and general fund are higher. Relatively strong comparative reserves noted.

- Council has committed to 10 key actions, including: developing a 5-year income plan, in depth review of fees; better linkages between strategies; more specific objectives; making more use of demographic information in planning; and reviewing how it calculates what is a sustainable draw on reserves.
 - Current financial plan is based on assumption of sustainable drawdown of reserves only. Progress on the 10 actions set out will be key to addressing long-term issue of use of reserves.
 - Harbour operations are managed, governed and accounted for separately. Investment income is also managed in its own right; the council monitors performance of investments and manages risks. Both of those flow into annual accounts and generate surpluses which increase reserves.
- Transformation
 - Programme revised down from 42 projects (autumn 2022) to 21, but documentation including of timescales and resource requirements remains mixed; risk that some don't have detailed plans for being achieved in the corporate plan period.
 - The council needs to set out more clearly the detail, timescales, milestones and benefits.
 - Concern about a lack of pace, and that progress has stalled.
 - Staff capacity is a challenge at all levels. The Programme Management Office has 3 staff. Four directors assigned as senior responsible officer for each change theme, but workloads are a challenge.
 - Transformation thematic includes examples of successful projects including Orion – transition to investing in renewables.
 - Opportunity to use investment returns to support transformation, though not all returns can be used immediately. The council recognises this and plans to reflect it in its investment strategy.
 - Connectivity is a challenge for Shetland generally and improving this is a priority in the council plan.
 - ICT and Digital Strategy – projects on connectivity and system replacement to improve service delivery, but a more joined-up, cross-service approach is needed, and learning from others.
 - Digital innovation and AI feasibility – 12-18 month project to explore how this technology might be used.
 - The council does engage with others, including sharing good practice, has strong partnership links and is keen to learn.
 - Performance
 - Council commended on very good performance but concerns about extent to which that is linked to use of reserves and not a sustainable approach to funding services, Difficult to assess causation.
 - LGBF indicators show the council pays relatively high costs to deliver many services, such as education and waste collection – partly due to geography. Also areas where cost is below average, including libraries and sports facilities, and 65 per cent

of cost indicators have improved since base year – above Scottish average.

- Innovation – leadership has shown commitment and intent; very open to new ways of doing things, subject to capacity, and is working with others to create opportunities to bring people to the islands and ensure a sustainable population.
- Performance reporting has improved – key focus of previous audit recommendations. Performance information to members supports scrutiny and oversight and they engage well with it. Performance management framework is helping to build performance information into strategic planning.
- Leadership and governance
 - Elected members are clear in their ambitions and scrutiny and have constructive relationships with senior officers. Main considerations are around how to achieve ambitions while recognising capacity limitations.
 - Compliance – effective structure for governance and challenge and scrutiny but need to review processes. Working group established to oversee review of governance documents, and FOI and data protection processes. Review originally due in December 2025, now May 2026. FOI compliance flagged by the council as an issue arising from capacity challenges.
- Workforce
 - Capacity challenges often cited as a reason for lack of action or progress. The council is working to deliver a strategic workforce plan to address this; progress will be covered in future audits.
 - Service plans are also being developed, with linkages in terms of staffing to the medium term financial plan. These will follow on from the strategic workforce plan. Understanding use of casual, temporary and agency workers will be key.
 - Housing availability and connectivity are key issues. The council has run campaign to attract and retain people to live and work, including using its reputation for culture and events. The council also offers support for relocation and a flexible working policy.
 - The Shetland Partnership has four overarching objectives, population is a key area of focus, indicators include population aged 16-29, and Scottish working age population.
- Community engagement
 - Participatory budgeting (PB) – nil return between 2020/21 and 2022/23, as the council had a rigid definition and criteria. Since then, the council has been revising this approach, working with COSLA, to be more open and to mainstream PB.
 - Public consultation in December 2024 for input on 2025/26 budget. Survey with 975 responses, to be used to inform next corporate plan and service redesign. Council also continuing to engage with communities on areas of its budget, Council Tax and the Local Development Plan.

It was also noted that there was much in the report to welcome, including the improvements made in response to previous audit recommendations, all of which had been completed or superseded.

Following discussion, the Commission agreed to decide in private how it wishes to respond to the report.

6. 2026/27 Scottish Budget briefing and Financial Bulletin supplement

Alison Cumming, Executive Director of Performance Audit and Best Value (PABV), presented a briefing for the Commission on the Scottish Budget and Spending Review, alongside a Local government financial bulletin supplement that was published on the day of the meeting.

- Alison noted that the Budget is progressing through Parliament, with the Stage 1 debate taking place that afternoon, and there may yet be changes before it is due to be passed on 25 February.
- Alison summarised the briefing in relation to the overall, revenue and capital funding for local government in the Budget, as well as the outlook set out in the Spending Review, noting that it only provides information at aggregate, not council-specific level.

The following points were raised during discussion:

- Members thanked the Audit Scotland team for their work to interpret and analyse the Budget, which can be difficult.
- Non-Domestic Rates – the pool and any impact of variations from forecasts are managed by the Scottish Government (SG); the external auditor of the NDR account has previously recommended that SG considers the sustainability of NDR pool, as it has been in deficit; this year's revaluations and likelihood of appeals also increase uncertainty.
- Implications for Commission's work programme (exhibit 5) – this information was welcomed and discussed by members. The team explained that the only significant movements since the previous Budget were in housing and climate change, and mainly due to SG portfolio changes, which made comparisons difficult.
- Members agreed the challenges around housing and social care reaffirmed their inclusion in the work programme. Capital funding plans set out in the Spending Review, and revenue generation, were highlighted as possible areas for consideration.

Following discussion, the Commission:

- noted the contents of the budget briefing
- noted the contents of the Financial Bulletin 2024/25 budget supplement published on the day of the meeting.

7. Local government policy update

The Commission considered a report by Joe Chapman, Policy Manager for the Commission, providing an update on significant recent activity relating to local government.

Joe highlighted high levels of engagement with three recent Commission reports – Delayed discharges, Best Value in North Lanarkshire Council and the Local government financial bulletin.

The following points were raised during discussion:

- UK Government grants to councils in England to clear debts relating to special educational needs – a specific situation and unlikely to have a direct impact on Scotland but will be monitored.
- High response to West Lothian budget consultation – it was noted that the council posted information directly to residents with clear options being considered – similarly to some other councils. May be looked into further in the council budgets bulletin to be published by the Commission later this year.
- Community health and social care performance output – it was explained that this was primarily aimed at the sector and was not issued to the media, unlike the delayed discharges report. However, members discussed how to ensure public awareness of the data, but also ensure it is maintained and updated. The Commission's communications working group will consider this.

Action: Communications working group

- Scottish Budget analysis – Institute for Fiscal Studies highlighting a need for a shift from hospital care to health and social care, and prospects for capital funding and the relative treatment of local government compared to other portfolios.
- Additional support for learning review announced by SG – Joe will look into the scope of the review and who is on the expert group.

Action: Policy Manager for the Commission

Following discussion, the Commission noted the report.

8. Chair's update

The Commission considered an update by the Chair, Jo Armstrong, on recent and upcoming activity. Jo highlighted the following:

- Visit to Comhairle nan Eilean Siar – a positive meeting with recognition from the Comhairle of the approach of the Commission and the auditor, and of the importance of digital and the need to manage cyber risk. The Comhairle praised the support provided by the Scottish Government and National Cyber Security Centre.
- Meeting with Catriona MacKean, Deputy Director for Local Government at the Scottish Government – 2-monthly check-in.

She is very supportive of the Commission's work, keen to support it, and gets a lot from Commission reports that supports her work.

- Meeting with Ariane Burgess, Convener of the Local Government, Housing and Planning Committee – desire to establish (with the next Committee, after the election) a more structured approach to engagement. Although the Committee's role is not to scrutinise the Commission's work, more engagement can be helpful in areas of mutual interest including public service reform.

During discussion, the following points were raised:

- Engagement with SG's new Director General related to local government, Miriam Craven (succeeding Louise Macdonald who the Commission met previously). Jo explained the stakeholder engagement plan in place, which SG is a key part of, including meeting the new Cabinet Secretary or Minister after the election.

Following discussion, the Commission noted the report.

9. Any other public business

As there was no other public business, the Chair closed the public session of the meeting.

10. Controller of Audit's update

The Commission considered an update by Helena Gray, Controller of Audit (CoA), on recent and upcoming activity, including the following:

- Helena highlighted a recent update to the UK Parliament on the Local Audit Office.
- 2023/24 audit delivery – one IJB's audit has now been signed off since the January update. Remaining audits are expected to be signed in February and March.
- 2024/25 audit delivery – three further audits have been completed since the last update.

During discussion, the following points were raised:

- Members welcomed the progress on audit delivery but queried how the actual completion dates compared with the timescales originally set out. Helena noted an action from the last meeting to take stock of the escalation process, and this will include looking at timescales from the start to the end of the process.
- Reports of discussions between Glasgow City Council and SG in relation to spend on housing and homelessness were raised. Helena noted the 2024/25 audit of Glasgow City Council is due to complete in March.
- Members sought more information on progress of the Solace and Improvement Service (IS) transformation programme. Helena and PABV colleagues recently met with the Chief Executive of IS who provided updates on each workstream, and IS now issues an

email newsletter. Helena, Sarah and colleagues are also meeting the Crerar workstream leads soon to discuss this further. Members were briefly updated on current activities, and it was noted that the upcoming Best Value thematic overview report on transformation will be an opportunity to link back to the Commission's previous transformation report and consider progress.

Following discussion, the Commission noted the update.

11. Best Value: Shetland Islands Council

The Commission considered its response to the Controller of Audit's report on Best Value in Shetland Islands Council. Members agreed to issue findings in response to the report, with findings to be drafted by the Director and the Chair and circulated to members next week.

Commission members discussed and agreed upon a number of points, which will be included within the findings in the published report.

12. Integration Joint Boards financial bulletin 2024/25 – draft report

Alison Cumming, Executive Director of PABV, presented the draft Integration Joint Boards (IJBs) finance bulletin 2024/25.

- Alison highlighted the roundtable held in early January with a small group of IJB Chief Officers and Chief Finance Officers. This was intended to indicate and discuss emerging messages with stakeholders, and provided valuable insights on the challenges identified in terms of both finances and service delivery.
- Alison noted the language used in the key messages in the report, which is intended to reflect the critical nature of the financial situation facing IJBs. She also explained variations between IJBs in relation to reserves and additional contributions from partners.

During discussion, the following points were raised:

- Malcolm Bell and Angela Leitch, as sponsors, commented on the value of the roundtable, and also on the systemic nature of the issues facing the sector that need to be addressed.
- Members discussed the shared responsibility between partners for service delivery as set out in integration schemes. It was noted that annual audits have not identified any IJBs at immediate risk of failure, but there is overall pressure building across the whole system, with non-recurring measures being used to balance budgets.
- The impact of the latest Scottish budget and the Spending Review was raised, and how this might be acknowledged or covered in the Commission's reporting, including an emphasis on prevention and the need to take decisions for the medium and longer term.

- Members made suggestions for amendments to the draft report, including its recommendations, which Alison and the audit team agreed to consider and discuss with sponsors.

Following discussion, the Commission:

- approved the draft IJB financial bulletin and interactive data tool
- agreed to delegate final approval of any final amendments to the content to the audit sponsors
- noted the publication arrangements for the briefing and refreshed data tool.

13. Funding Scottish public sector audit

The Commission considered a report by John Gilchrist (Senior Manager) and Parminder Singh (Manager), Audit Quality and Appointments.

As noted at item 2 (declaration of connections), Angela Leitch, Carol Evans, Jennifer Henderson, Malcolm Bell and Nichola Brown left the room and took no part in this item.

Parminder explained that the Audit Scotland Board has primary responsibility for agreeing audit fees – and has already discussed this report – but that the Commission is an important stakeholder and its input is valued.

The potential impact of increased audit fees on audited bodies was raised, and John explained the context of increased costs and larger rises in audit fees elsewhere.

Following discussion, the Commission:

- noted that it is the role of the Audit Scotland Board to determine funding and fee arrangements for Public Audit in Scotland, but as per the Partnership Working Framework, the Board consults with the Auditor General for Scotland and the Accounts Commission as part of its considerations
- noted that local government bodies currently pay for all audit work including the cost of Best Value and performance audits, and that this differs from other sectors which come under the Auditor General's remit
- noted the results of the review on whether the current funding and fees model has met its stated principles and objectives, at Appendix A of the report.

14. Code of Audit Practice 2026 – draft for consultation

Paul O'Brien, Director of Quality and Support, presented the draft Code of Audit Practice which is due to be issued for consultation.

Jo Armstrong praised the positive process of the Future Public Audit Model project and thanked Paul for guiding the Commission through it, responding to comments from AC and other stakeholders, and getting to the current position, with a single Code for consultation. Paul thanked members particularly those on the sounding board for constructive input and challenge, and Helena Gray and Sarah Watters for support throughout the process too.

During discussion, the following points were raised:

- Members welcomed the Code and the consultation questions.
- Clarity was given on the intended approach to Best Value reporting.
- Paul explained the earlier informal engagement and the activities to be undertaken as part of the formal consultation – giving consultees multiple opportunities to input views and for them to be incorporated.
- Sarah and Paul highlighted ways in which stakeholder feedback has been incorporated, including in relation to smaller bodies and the approach to best value audit, and that the process demonstrated that the Code has been thoroughly reviewed.

Following discussion, the Commission:

- approved the Code and Invitation To Comment for formal consultation with external stakeholders commencing on 23 February 2026

15. Commission member recruitment options

The Commission considered a paper by Sarah Watters, Director for the Commission, setting out proposed principles and options for the Commission's approach to recruiting members following the departure of some members coming to the end of their terms in 2026 and 2027.

During discussion, the following points were raised:

- Different approaches in relation to recruitment campaigns and member start dates, and numbers of members
- Appropriately reflecting the requirements of the role in recruitment campaigns, setting clear expectations
- Potential changes in the volume and nature of reports to be discussed at Commission meetings, under the proposed new Code of Audit Practice
- Ensuring a suitable level of diversity as well as experience on the Commission, including in how the roles are advertised. A figure in the Commission's Diversity, Equality and Inclusion (DEI) data was queried, and the Director will follow this up

Action: Director for the Commission

Following discussion, the Commission:

- Noted the legislative position around the Accounts Commission membership, and the current context
- Indicated support for the principles set out in the paper as the basis for the Chair's discussions with Scottish Ministers.

16. Audit Scotland corporate update

Fiona McKie, Director of Corporate Services, delivered a verbal update to the Commission which included the following points:

- January's Board meeting focused on Strategic Improvement Projects including Audit Modernisation
- Budget approval and support from the Scottish Commission for Public Audit (SCPA), and continuing engagement with the SCPA through the budget process
- Plans for Parliamentary engagement, with an expectation of a large number of new MSPs after the election, irrespective of the outcome; Allan Campbell (Head of Operations at Scottish Parliament and former Secretary to the Commission) is speaking at an Audit Scotland staff event in March about the process, to which Commission members will also be invited
- Audit procurement planning (Phase 3 of Future Public Audit Model (FPAM) project) – coming to the Commission in March; intention to continue to use the FPAM Sounding Board for Phase 3
- Audit Scotland Chair and member appointment currently underway, with interviews in early March
- Refresh of Audit Scotland corporate performance reporting – upcoming reports including for the Commission will be refined.
- Michelle Borland has been appointed as Head of Performance and Corporate Governance for an 18-month period due to the resignation of the previous post holder.

Following supportive comments from the Chair, the Commission noted the update.

17. Any other private business

The Chair passed on apologies from Theresa Shearer for being unable to attend the members' forum due to illness. Members had a brief discussion about member forums including suggested guests and alternative timings.

There was no other business. The Chair closed the meeting at 15:10.