ACCOUNTS COMMISSION

# Minutes

Thursday 08 October 2026 10:00am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN, and online via Microsoft Teams
536th meeting of the Accounts Commission

## Present:

Jo Armstrong (Chair)
Malcolm Bell
Nichola Brown
Andrew Burns
Carol Evans
Jennifer Henderson
Angela Leitch
Christine Lester
Ruth MacLeod
Mike Neilson
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)
Louisa Yule – Audit Director, Audit Services Group *(items 5 & 9)*
Jonny Steen – Director of Audit Quality and Appointments (AQA) *(item 11)*
John Gilchrist – Senior Manager, AQA (online) *(item 11)*
Kenneth Oliver – Executive Director of Innovation and Quality (online) *(item 11)*
John Cornett – Executive Director of Audit Services Group (ASG) (*item 12)*

## 1. Apologies for absence

There were no apologies received or required from members.

## 2. Declarations

Malcolm Bell, Nichola Brown, Carol Evans, Jennifer Henderson and Angela Leitch declared connections with item 11 due to their respective roles at audited public bodies. Having sought advice from the Director and Ethics Partner, it was deemed appropriate to make a transparency statement in relation to their connections and for them to participate in the discussion of this item.

## 3. Order of business

It was agreed that items 9 to 13 would be considered in private, for the reasons stated on the agenda.

## 4. Minutes and matters arising from previous meeting

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

- UK Local Authority Accounting Code of Practice 2027/28 consultation – a sub-group met on 23 September 2026 and agreed to submit a letter only from the Commission and Controller of Audit, referring to Audit Scotland's technical submission.

## 5. Best Value: East Ayrshire Council

The Commission considered the Controller of Audit's Best Value report on East Ayrshire Council. Discussion explored the following themes:

- Financial sustainability
  - Budget gap – the council has a strong record of delivering savings and managing reserves but faces a significant future funding gap, with savings becoming increasingly difficult to identify and deliver. Longer-term planning focuses on transformation and preventative approaches
  - Integration Joint Board (IJB) – budget gap forecast for IJB assumes 'flat cash' funding and presents a key risk given projected overspends. A recovery plan is in place including enhanced budgetary controls, service reviews have identified approximately £1.3 million of savings, and the use of technology in care at home is projecting a significant reduction in overspend on previous years
  - Reserves – the council earmarks underspend for future financial challenges, this is approved by cabinet annually
  - Asset management – given the strong arrangements in place, auditors made no recommendations during thematic work
  - Capital – 10-year programme in place, with a cap on capital financing costs of 8% of net revenue managed through annual review. Significant underspend attributed to reprofiling of works, delays to school estate work, and additional unanticipated remedial works required during regeneration projects. The council reviews delivery options, including whether refurbishment is cost effective compared to new builds.
- Transformation
  - Programme management – transformation was embedded within the council's 2022-27 strategic plan, having previously been managed through separate programmes. A Programme Management Office (PMO) is in place but does not yet report consolidated transformation activity, improved reporting and oversight were identified as an area for development

  - Benefits realisation – a reporting framework and benefits management process are in place for the council's Early Intervention and Prevention fund. Challenges remain in quantifying and measuring some benefits, and assessing those which will be realised over the longer-term
  - Pace of change – the council has a clear vision and a culture of continuous improvement, having established the PMO, bi-annual reports to council, and a business innovation team to provide support with transformation activity, including quantifying savings
  - Shared services – joint working includes the Roads Alliance, Ayrshire Growth Deal and plans for a shared Economic Development Service. The Pan-Ayrshire Transformation Board was established to identify opportunities to improve performance, financial efficiency and integration across councils, the IJB and NHS Ayrshire. Responsibility for budget was identified as a potential barrier.

- Leadership and Governance
  - Leadership changes – interim arrangements are in place until October 2027 to bring stability beyond May 2027 local government elections. Approval to recruit a permanent Chief Executive will be sought in June 2027. Auditors report no operational impact, and noted that performance data pre-dates these changes
  - Lessons learned – strong, embedded processes, experienced teams and a culture of continuous improvement are in place to support good performance and reduce reliance on individual leaders. There may be opportunities to share learning through Pan-Ayrshire and Solace work.

- Workforce
  - Workforce planning – priorities are reflected in service improvement planning, with a workforce strategic action plan and annual reporting now in place. A workforce dashboard and succession planning will be used to identity gaps in skills, and professional and leadership development is underway
  - Flexible and hybrid working - impact on service delivery and productivity remains difficult to assess due to limited baseline data following COVID-19. Current review has focused on efficiencies arising from hybrid working, with desktop review findings expected later in the year.

- Performance and improvement
  - Satisfaction – concern that decline is inconsistent with wider performance indicators. Auditors noted that Local Government Benchmarking Framework data used is sourced from the Scottish Household Survey, and reflects general satisfaction with council services. Similar declines are being seen across all councils.

- Community engagement

- Examples of impact – budget consultation exercise cited as an example of community feedback influencing decision-making, resulting in the proposed council tax increase reducing from 8 per cent to 6.9 per cent and consequential amendments to the budget
- Community asset transfers – examples cited of successful and sustainable transfers, supported by external funding and council assistance, with some assets operating as community hubs serving local communities
- Demographics – the council won the Working Together award in 2023 for its approach to engaging children and young people in the development of its climate change strategy.

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

## 6. Local government policy update

The Commission considered a report by Joe Chapman, Policy Manager for the Commission, which provided an update on recent major publications relating to local government.

The following points were raised during discussion:

- Local government reform – discussion and debate is ongoing, Joe will continue to pull out key themes and points for members' awareness
- 2027/28 budget setting is underway within councils, and may be a focus of the next policy update report
- Glasgow City Council's pay and grading structure – the council had agreed a deal with the trade unions since the report was produced
- Drugs deaths in Scotland – members noted this as an area of concern.

Following discussion, the Commission **noted** the report.

## 7. Chair's update

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

- Jo had a constructive meeting with the Deputy First Minister, who shares concerns about financial sustainability of councils, and was keen to discuss the Commission's Best Value reports, as well as consider evidence as part of the current reform dialogue
- Member recruitment – strong response to campaign, interviews took place in early October with the decision from Ministers expected by the end of October

- Glasgow City Council Best Value follow up visit – Andrew Burns and Jennifer Henderson had a constructive meeting with senior representatives of the council including the Leader and Chief Executive. In advance of the meeting, the Chief Executive had shared the draft report going to their committee, responding to all five Commission findings.

Following discussion, the Commission **noted** the report.

## 8. Any other public business

Jo noted that today was Ruth MacLeod and Nichola Brown's last Commission meeting, having completed their respective four-year terms. She thanked them for their contributions and wished them well in their future endeavours.

There being no other business, the Chair closed the public session.

## 9. Best Value: East Ayrshire Council

The Commission considered its response to the Controller of Audit's report on Best Value in East Ayrshire Council.

Members agreed to issue findings in response to the report, 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 report, which will be published on 27 October 2026.

## 10. Controller of Audit's update

The Commission considered an update by Helena Gray, Controller of Audit, on recent and upcoming activity. Alison Cumming, Executive Director of Performance Audit and Best Value (PABV), joined Helena for this item.

Alison Cumming updated the Commission on work being done in response to the current dialogue on public service reform and the Commission's desire to pull together insights from previous audit work which may be helpful to decision makers. The intention is to prepare outputs on financial sustainability of councils and social care reform, as well as a short covering letter from the Commission Chair to be sent to the Deputy First Minister. There are no new audit judgements as part of these outputs.

Discussion highlighted the following points:

- Members put forward suggestions around specific service areas and case studies that could be covered in the submission. Alison clarified that the submission will be based on previous audit work and strategic in nature. However, it was agreed that an opportunity

should be provided for members to comment on drafts, though she noted that timescales will be tight.

**Action: Executive Director of PABV**

- It was suggested that information and evidence could also be sent to Committees in Parliament to inform their scrutiny; Alison confirmed that the outputs to Scottish Government will also be shared with Committee clerks and published on Audit Scotland's website.

Following discussion, the Commission **noted** the report.

## 11. Audit contracts

The Commission considered the report presented by Jonny Steen, Director of Audit Quality and Appointments (AQA), John Gilchrist, Senior Manager, AQA, and Kenny Oliver, Executive Director of Innovation and Quality. Jonny introduced the paper, noting that the proposed extension applies to firms and to appointed audit engagement leads within Audit Scotland's Audit Services Group (ASG).

During discussion, the following points were raised:

- Two-year extension proposal is the maximum provided for in current audit contracts
- Current five-year contractual audit appointment period is not mandatory and could be adjusted in future if needed
- The potential impact of public service reform on future audit appointments, and the scope for flexibility within the next Code of Audit Practice
- Helena Gray confirmed the plans for auditing Best Value (BV) during the period of the extension, including no change to BV audit work integrated into annual audits; a move to risk-based BV reports from the Controller of Audit (already planned for year 5 of the current appointment period) and Best Value thematic work undertaken on a sample basis.

Following discussion, the Commission **agreed in principle**:

- an extension of the current contract for local government auditors for financial years 2027/28 and 2028/29, noting that, as requested at the meeting, this applies to ASG appointed auditors as well as external audit firms
- to continue to apply the 2021 Code of Audit Practice for this extension period, with modifications to Best Value requirements only (see paragraph 14)

Agreement was sought in principle, as AQA must formally agree the extension and pricing with each firm.

## 12. Audit Scotland corporate update

The Commission considered an update by John Cornett, Executive Director of ASG. John highlighted a number of key areas of interest:

- Scottish Commission for Public Audit (SCPA) – Audit Scotland had a session with SCPA to present the 2025/26 Annual Report and Accounts for review, along with a discussion on proposals for the 2027/28 budget which was positively received
- Local Audit Office (LAO) update – planning to go live on 30 November. Staffing arrangements are underway, supported by all UK audit agencies and Ministry of Housing, Communities and Local Government. Organisationally, the LAO's intention was to structure itself to reflect local government in England, but this will be impacted by delays to reforms, given its "go live" date. Chartered Institute of Public Finance and Accountancy (CIPFA) will likely be the preferred training provider for LAO
- UK Local Government Accounting Code of Practice 27/28 – consultation complete, Audit Scotland submitted a response, and the Commission Chair and Controller of Audit sent a letter. Work is progressing through CIPFA/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) and John provided clarification in response to a query on work to review approaches to capital accounting

Following discussion, the Commission **noted** the update.

## 13. Any other private business

Jo Armstrong raised the following points of interest:

- Jo notified members of an upcoming roundtable evidence session on transformation with the Social Justice, Housing and Local Government Committee. Jennifer Henderson will represent the Commission as sponsor of the recent report on transformation

## Close of business

There being no further business, the meeting closed at 12.45pm