

Minutes

Thursday 11 December 2025 10.00am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN, and online via Microsoft Teams
527th 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 (*online*)

Ruth MacLeod

Mike Neilson

Derek Yule

In attendance:

Sarah Watters – Director for the Accounts Commission

Joe Chapman – Policy Manager for the Commission

Helena Gray – Controller of Audit

Alison Cumming – Executive Director of Performance Audit and Best Value

Vicki Bibby, Chief Operating Officer (*from Item 10*)

John Boyd, Audit Director, Audit Scotland Group (*Items 5 & 11*)

Blyth Deans, Audit Director, Performance Audit and Best Value (*Item 6*)

Sarah Gadsden, Chief Executive, Improvement Service (*Item 6*)

Owen Smith, Director of Audit Quality and Appointments (*Item 12*)

John Gilchrist, Manager, Audit Quality and Appointments (*Item 12*)

Stephen Boyle, Auditor General for Scotland (*Item 13*)

Paul O'Brien – Director of Quality and Support (*Items 14 & 15*)

Sally Thompson – Future Public Audit Model Project Manager (*Items 14 & 15*)

1. Apologies for absence

No apologies were received.

2. Declarations of connections

- Nichola Brown declared a connection to items 5 and 11 due to her role on North Lanarkshire Council's Strategic Leadership Group, which forms part of the council's Community Planning Partnership

(CPP), her role as Chief Executive of a third sector body which receives funding from the council, as well as being a resident of the area. Having taken advice from the Director and Ethics Partner, Nichola stated she would recuse herself from both items and leave the room.

- Malcolm Bell declared a connection to item 6, in respect of his work as a member of the Standards Commission for Scotland (SCS) who undertake work with the Improvement Service, and items 14 and 15 due to SCS being an audited body. Having taken advice from the Director and Ethics Partner, he did not consider his connections material and therefore would remain in the meeting and participate in the discussion of these items.
- Jennifer Henderson, Angela Leitch and Carol Evans declared connections to items 12, 14 and 15, due to their roles within audited bodies. 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.

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

- Best Value Transformation Thematic report – publication scheduled for May 2026, earlier than the previous year's thematic report and closer to the audit year on which it is based
- Commission's Work Programme – Sarah is working with Performance Audit and Best Value (PABV) to confirm the sponsors for 2026/27 and will work with them to review the sponsor guidance, one year on from approval.

5. Best Value in North Lanarkshire Council

The Commission considered the Controller of Audit's (CoA) Best Value report on North Lanarkshire Council. The discussion explored the following themes:

- Finances
 - Budget gap – £136.9 million over next 5 years. Medium term financial plan (MTFP) does not set out how £31.9 million of reserves earmarked for budget pressures will be used. Council tax strategy agreed December 2024, 10 per cent increase from 25/26 to 27/28, returning to 1% thereafter

- Past savings – £80 million to date, including £20.2 million for 2024/25, identified and implemented at service level
 - Capital investment and borrowing – ambitious capital plan, prudent borrowing strategy, careful monitoring. 6.1 per cent financing costs in line with Scottish average of 6 per cent and below the ‘family group’ average of 6.6 per cent. Future funding to include Community Investment Fund, reserves and borrowing.
 - Reserves – 34.1 per cent of revenue budget, Scottish average 19.3 per cent. Auditors recommended review of reserves strategy.
 - Integration Joint Board (IJB) – comparatively strong reserves position with small surplus in 2024/25. MTFP approved March 2025, forecast £51.9 million funding gap over three years and included IJB reserves strategy.
- Transformation
 - Benefits realisation – framework due June 2026 to inform priorities. Council scrutinises activity using 28 ‘health check’ indicators, current reporting shows good resource management.
 - Workforce reform – Staff engagement recommendation progressing with a proposed change to staff survey being taken to Committee.
- Performance
 - Indicators – benchmarking shows mixed performance across services but performing well overall, including strong and improving performance in housing and homelessness.
 - Satisfaction – indicators have declined, trend across Scotland, linked to public expectations against reduced resources. Community engagement essential to address concerns.
 - Good practice – ambitious housing initiative, and investment in regeneration. Community hubs to be embedded to integrate services, including health and social care, and community planning boards. Lead role in social care across Lanarkshire
- Leadership and governance
 - Leadership review – plan refreshed 2022/23, guidance updated to emphasise member involvement. Member scrutiny is evident. Governance review is underway including committee and members’ roles, and engagement.
 - Member support – concern over uptake of previous induction training events. In response, event timings were reviewed, and recordings and informal training to be provided.
- Workforce
 - Hybrid working – permanent scheme introduced April 2024, auditors recommended that the impact of this be monitored, which is underway with an update to be taken to Committee
 - Staff engagement – extensive activity in 2024 including roadshows attended by over 2,000 staff. New survey pilot underway.

- Local employment rates – Brighter Futures Programme discussed. Economic impact indicators monitored at committee level.
- Council-specific issues
 - Exit packages – approved in line with council policies following restructure in September 2024. Auditors recommended strengthening supporting evidence, and consideration of escalation of issues involving senior officers to elected members.
 - Mears – previous joint venture contract wound down following whistleblowing concerns. Mears was the only bidder for the roads and infrastructure maintenance contract, internal audit satisfied that the bid represents value for money. Lessons learned from previous contract have been implemented.
 - Helena Gray highlighted an error in her report – new contract for roads and infrastructure maintenance is with Hochtief, not Amey (the previous contractor); this will be corrected.

At this point in the meeting, the Chair noted that the Teams chat function had been used for comments by observers. She reminded everyone that this was not the purpose of the chat function, and that comments from observers during the public session did not form part of the discussion on Best Value reports. Comments made in the chat have not, therefore, been referenced in this minute.

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

6. **Joint Working Agreement: Audit Scotland and Improvement Service – annual update**

Sarah Gadsden, Chief Executive, Improvement Service and Blyth Deans Audit Director, Performance Audit and Best Value (PABV) provided an update on collaborative work undertaken by Audit Scotland and the Improvement Service (IS) over the past year

Discussions focused on a number of areas:

- Crerar workstream/Self-evaluation framework –
 - framework to be available by end of March 2026 and will incorporate existing Public Service Improvement Framework (PSIF)
 - Intention to roll out pilots across some local authorities next year, which will likely involve a mix of self-selected and invited authorities to ensure good representation. Best Value thematic audit work is informing pilot design
 - Discussions planned with COSLA and Solace in January 2026 to align with end of March target date
- Support for elected members:

- national induction materials are being developed, and the Local Councillor Training Academy launching in collaboration with The Open University in 2026
- Additional resources will be available to prospective candidates, including guidance on the role of elected members
- An elected member checklist of scrutiny questions to ask officers will be included in the draft financial bulletin which will come to the January Commission meeting
- Data returns and rationalisation:
 - Scottish Government launching group to review lifecycle of data returns to reduce duplication and improve coherence of data
 - Pilots will examine what is collected and how it is used
 - Audit Scotland data returns added to the online return register to improve visibility

Community Planning Partnerships (CPP) engagement:

- The Commission has expressed interest in a roundtable on CPPs as part of its 26/27 work programme. Audit Scotland colleagues will liaise with the IS to inform the planning of this work. It was noted that a strategic discussion is needed to ensure meaningful outputs, and to avoid a repeat of previous discussions on this subject.
- Findings from the most recent national community planning self-assessment, carried out in 2024, will inform this work.
- Sector support:
 - Strengthening financial capability across the sector is important to support effective audit processes and planning.
 - Responsibility sits with CIPFA and others but IS is happy to share peer collaborative improvement methodology to support
 - Members noted a need to link finances with service outcomes
- Statutory services:
 - IS working with Solace to develop standard definition of statutory services. Portal planned in 2026 to list statutory duties and flag related transformation work. Analysis will lead into discussion on service and legislative reform, such as to reduce or modernise requirements for public notices
 - Members noted concern over reductions to services that often provide preventative support, which in turn reduce costs. Important to balance short-term savings with long-term impacts
- Collaboration and shared services:
 - IS will continue to promote peer network collaboration and initiatives. Current initiatives include procurement projects and shared service planning
 - National visitor levy digital platform is designed for sector-wide use and a good example of digital collaboration

Following discussion, the Commission:

- Noted the contents of the report

- Considered and agreed the proposals for further joint work for the year ahead

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 the following items:

- Visitor levy – Scottish Government will introduce legislation in early 2026 to provide councils with more flexibility, including the option to introduce a flat rate instead of a percentage, and potential for varying rates across types of accommodation and times of year
- Policy update reports now shared with a range of local government stakeholders, including COSLA, Solace, and Directors of Finance. Receiving positive responses and queries, including one on the Auditor General for Scotland's recent report on tax

A number of questions were raised:

- Members commended the well written report and find it very useful
- Reduced teacher contact time and impact on work pressures. Keen to see future deliberations include alternative options and international comparisons
- Proposed cuts to education-related services – Joe clarified that options are presented for consultation to gauge public priorities
- Pride in Place and Local Growth Fund – clarification that this replaces and reallocates previous UK Government funding, with Glasgow City Region expected to receive less than previously planned
- Council budgets – the Commission's forthcoming budgets briefing will look at councils' consultation and engagement, including comparisons and good examples. Difficult to assess links between consultation outcomes and budget decisions, however. Members noted the shift to clear language by councils around difficult choices

Following discussion, the Commission noted the report.

8. Chair's update

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

- Local Government Information Unit (LGIU) podcast – Jo and Andrew Burns took part in an interview recently with the Chief Executive of the LGIU, which will be a multimedia piece early in 2026.

- Ethical Standards Commission (ESC) webinar – useful to understand the issues and concerns the ESC have regarding public appointments. Clear that the Commission can have more involvement in recruitment process.
- Deloitte – the Chair met with Deloitte following changes in engagement lead to discuss the implication for Clackmannanshire Council's late 2023/24 audit

Following discussion, the Commission noted the report.

9. Any other business

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

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:

- 2023/24 audit update:
 - One council will provide an update to full Council on 18 December with provision made to take the annual audit to their Audit and Risk committee in February 2026, at which they will also present their unaudited 2024/25 accounts
 - As the chair had updated, a meeting had taken place with Clackmannanshire Council's auditors, Deloitte, where a joint update from the council and auditors on audit delivery has been requested and is expected before Christmas 2025
- 2024/25 audit update:
 - As at 09 December, 72 local government audits are complete (63 per cent of council and 83 per cent of IJB audits) showing good progress on the 52 per cent reported at November's meeting. 35 of 123 local government audits are outstanding, and 15 are due to be signed off by the end of the month
 - One late running council has now provided its unaudited accounts
 - Current issue – an auditor has alerted the CoA that one IJB has been operating without a Section 95 officer since October, with no formal delegation of duties. The CoA is engaging with the auditor to consider what reporting is required.

A number of items were discussed including:

- Cyber risk – members found Helena's LinkedIn post in relation to the Western Isles Council cyber-attack useful and welcomed her update on delivery against prior year audit recommendations relating to cyber security.

Following discussion, the Commission noted the report.

11. Best Value in North Lanarkshire Council

The Commission considered its response to the Controller of Audit's report on Best Value in North Lanarkshire 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. Audit quality interim report 2025

The Commission considered a report by Owen Smith, Director of Audit Quality & Appointments (AQA) and John Gilchrist, Senior Manager, AQA.

During discussion a number of points were raised:

- Annual audit plan delivery – improved to 80 per cent, knock on effect from previous years impacted ability to deliver 100 per cent
- Private sector performance – improving, some specific audits which have a knock on effect on other audits. It can sometimes be prudent to delay smaller audits and then catch up in subsequent years
- Staffing shortages – staffing issues are a minor factor, anecdotal evidence is not clear on the impact, firms' issues with recruitment earlier in the audit cycle have now been resolved
- Further education audits – none yet completed as deadline not yet passed, expected to improve on last year with no material concern flagged as yet

Members reflected on the progress that AQA has made and commended them for their work

Following discussion, the Commission noted the contents of the report.

13. Auditor General update

Stephen Boyle, Auditor General for Scotland (AGS) gave a verbal overview of his work in 2025. Stephen reflected on a number of key areas:

- Public audit in Scotland – in a good place but not complacent. Recent evaluation and work on the next code is allowing reflection on whether the set-up is working, how public services spend public money, and whether we are getting desired outcomes.
- Code of Audit Practice – confident that the robust joint work undertaken to look at the future of public audit ensures integrity of the next Code. Keen to consider good practice in the next stages of this work, feeling optimistic about progress.
- Recent engagement with the Scottish Commission for Public Audit (SCPA) on Audit Scotland's Budget proposals for 26/27 was

welcomed and allowed us to present our operating context and emphasise the value of public audit.

- Finance Committee – the AGS recently gave evidence on his Devolved Taxes and Fiscal Sustainability report, highlighting the scale of financial challenges in Scotland. With 50% of the public admitting to not understanding how taxes work, building public trust in public bodies is essential.
 - During discussion, Stephen agreed that audit has a part to play in increasing understanding of aspects of public policy, but noted the boundaries, including not supporting implementation
- Reflections on AGS's joint work with the Commission in 2025 –
 - The Promise – a number of organisations gave evidence to the Public Audit Committee (PAC) this week. Example of complex policy delivery, and a potential challenge to the role and legitimacy of public audit, so important that we continually reference our work and evidence.
 - Flooding report – hugely impactful piece of work on an issue that affects people's lives. Example of challenges of partnership working, and lack of clarity regarding roles and responsibilities.
 - Sustainable transport – example of a good initiative but not well implemented; also a good example of impactful audit work, with policy changes as a direct response to the report.
- Impact – we have an extensive catalogue of work, and we could promote that work and what happened as a result of it, to the public, government and other stakeholders
 - Discussion reflected on the need to continue taking a sophisticated approach to audit, particularly in areas of shared responsibility, including making recommendations to central and local government, and to demonstrate adding value, even if impact takes time to show
- IJBs – important joint work. Delayed discharges report will be a significant output in 2026, and IJBs are also featuring in recent section 22 reports on health boards and PAC scrutiny.
 - It was noted that digital is another key theme of shared interest where upcoming joint work will be important and impactful
- Public service reform (PSR) – need to move from strategy design and acknowledgement that current models aren't working, to implementation, which will involve difficult decisions. PSR will likely remain a feature of the AGS's work, not necessarily in and of itself but around how it contributes to sustainability of public services in Scotland

Following discussion, the Commission noted the update.

14. Future Public Audit Model – summary of decisions

The Commission considered the Future Public Audit Model Project's Summary of Decisions paper, presented by Paul O'Brien, Director of

Quality & Support and Sally Thompson, Future Public Audit Model Project Manager.

The report sets out the decisions reached on the five discussion papers during phase 1 of the project, and the Commission agreed them to be an accurate reflection. The decisions now taken will be reflected in the Code of Audit Practice that will be subject to formal consultation in early 2026.

15. Future Public Audit Model – smaller bodies (supplemental paper)

The Commission considered the Future Public Audit Model Project's supplementary paper on smaller bodies, presented by Paul O'Brien, Director of Quality & Support and Sally Thompson, Future Public Audit Model Project Manager.

The report sets out a recommendation for consideration by the Commission, and the Commission agreed its preferred option. Again, the outcome of this discussion will form part of the consultation process.

16. Chief Operating Officer Update

Vicki Bibby, Chief Operating Officer, delivered a verbal update to the Commission. During discussion, the following points were raised:

- SCPA session on Audit Scotland (AS) budget – presentation received well. Discussed budget delivery now and for future, affordability of public audit is an ongoing concern. Vicki will share the budget presentation with the Commission

Action: Chief Operating Officer

- Parliamentary engagement – cognisant of upcoming pre- and post-election periods, AS team has a good relationship with clerks but will be competing for new members' and committees' time against other organisations in the new term
- AS/Commission/AGS Partner Working Framework (PWF) – Vicki thanked members for their feedback. A fuller review may be undertaken in 2026, if needed. AGS and AS Board are pleased with progress. Jennifer Henderson and Andrew Cowie collated responses and produced a short summary report. The Commission support team will share the PWF summary report with the Commission in the next round up email

Action: Commission support team

- Procurement for new Code – need to encourage as many organisations to tender as possible for audit work and to encourage more medium and smaller audit firms to tender. Procurement is formally overseen by the AS Board but propose using the Commission 'sounding board' again to ensure Commission can be involved appropriately during the process. Vicki will also bring regular updates to the Commission

- Review of audit fees and funding model – last undertaken in 2017, options will be developed and discussed with stakeholders including the Commission
- Owen Smith is retiring as Director of AQA at end of March 2026. Jonny Steen (currently Head of Quality) has been appointed in the role to begin when Owen departs. The Commission extended their thanks to Owen for his work in the AQA team

Following discussion, the Commission noted the update.

17. Any other private business

Jo Armstrong raised the following points of other business:

- Accounts Commission follow up visit to Comhairle nan Eilean Siar (on section 102 report) – Jo Armstrong and Andrew Burns will attend, and will take the opportunity to discuss Single Authority Model with the Chief Executive
- Update on recent constructive meeting with Catriona MacKean – the Commission's deputy director lead in Scottish Government
- Jo closed her 21st Commission meeting by thanking the members for their contributions and support during 2025

There being no further business, the meeting closed at 3.45pm.

Close of business