

MEETING: 15 APRIL 2021

MINUTES OF PREVIOUS MEETING

Minutes of the 477th meeting of the
Accounts Commission held via online meeting
on Thursday 11 March 2021, at 9.30am.

PRESENT: Elma Murray (Interim Chair)
Andrew Burns
Andrew Cowie
Sophie Flemig
Sheila Gunn
Christine Lester
Tim McKay
Stephen Moore
Sharon O'Connor
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Elaine Boyd, Associate Director, Audit Quality and Appointments
(AQA) (Item 15)
Carol Calder, Senior Manager, Performance Audit and Best Value
(PABV) (Item 7)
Antony Clark, Audit Director, PABV (Item 7)
Fiona Kordiak, Director of Audit Services (Item 7)
Ashleigh Madjitey, Senior Auditor, PABV (Item 7)
Richard Robinson, Senior Manager, PABV (Item 8)
Owen Smith, Senior Manager, AQA (Item 15)
Mark Taylor, Audit Director, Audit Services and PABV (Items 8 and 10)

Item Subject

1. Apologies for absence
2. Declarations of interest
3. Order of business
4. Minutes of meeting of 11 February 2021
5. Minutes of Financial Audit and Assurance Committee of 25 February 2021
6. Minutes of Performance Audit Committee of 25 February 2021
7. Annual Assurance and Risks Report
8. Briefing: Scottish budget
9. Strategic Alliance between the Accounts Commission and the Improvement Service
10. Financial devolution and constitutional change update
11. Secretary's update report
12. Interim Chair's update report
13. Controller of Audit's update report
14. Any other public business
15. Audit quality developments update (in private)
16. Best Value update (in private)
17. New audit appointments update (in private)
18. Appointment of Interim Controller of Audit (in private)
19. Any other private business

1. Apologies for absence

It was noted that no apologies for absence had been received.

2. Declarations of interest

No declarations of interest were made.

3. Order of business

It was agreed that items 15 to 19 be considered in private because:

- Item 15 requires the Commission to consider a confidential legal matter and proposes a draft policy which the Commission is to consider before publishing.
- Item 16 requires the Commission to consider confidential policy matters.
- Item 17 requires the Commission to consider confidential commercial and contractual matters.
- Item 18 requires the Commission to consider confidential appointment and staffing matters.
- Item 19 may be required if there are any confidential matters that require to be discussed outwith the public domain.

The Interim Chair advised that there was no business to be considered in private for item 19.

4. Minutes of meeting of 11 February 2021

The minutes of the meeting of 11 February 2021 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 4 (second bullet), noted advice from the Interim Chair that the proposed community roundtable events would take place on 17 and 18 March, the papers for which would be shared with members for their information.
- In relation to item 5 (second bullet point), noted advice from the Interim Chair that she, the Interim Deputy Chair and Secretary had met with the Director of PABV to discuss Audit Scotland's Improvement Programme and had agreed that Audit Scotland provide an update to the Commission at a forthcoming meeting.
- In relation to item 5 (third bullet point), noted advice from the Secretary that he had discussed with appropriate Audit Directors the arrangements for future briefings to the Commission on EU withdrawal, which will involve reporting the matter as part of updates on financial devolution and constitutional change.

5. Minutes of Financial Audit and Assurance Committee of 25 February 2021

The minutes of the meeting of the Financial Audit and Assurance Committee of 25 February 2021 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 5 (second bullet), noted advice from the Secretary that he

had shared with members information on his discussion with the Secretary of the Electoral Management Board for Scotland on relevant matters in relation to council capacity in connection with the forthcoming Parliamentary elections.

- In relation to item 5 (third bullet), noted advice from the Secretary that he would update the Commission at its next meeting on ongoing CIPFA consultations on updates to the Prudential Code and the Treasury Management Code.

6. Minutes of Performance Audit Committee of 25 February 2021

The minutes of the meeting of the Performance Audit Committee of 25 February 2021 were approved as a correct record, subject to the first bullet point of item 5 reading:

Noted advice from Mark MacPherson, in response to a point by Stephen Moore, that he would take account of the role played by the third sector in supporting and delivering community justice, in both ongoing engagement with stakeholders and as part of the scoping work for any future performance audit.

Arising therefrom, the Commission:

- In relation to item 4 (third bullet), noted advice from the Secretary that the audit team overseeing the ongoing housing benefit audit on the impact of Covid-19 on benefit services had liaised with the sponsors, Andrew Burns and Andy Cowie, with a view to presenting a draft report to the Commission at its May meeting.
- In relation to item 4 (fourth bullet), noted advice from the Secretary that the Senior Manager PABV had provided members with an update on the outcome of Edinburgh Partnership 's consideration on 15 December of the published Best Value Assurance Report on City of Edinburgh Council.
- In relation to item 5 (first bullet point, as amended above), agreed that the Secretary advise the Director of PABV of the Commission's interest in seeing the proposed Auditor General briefing on alternatives to custody, thus reflecting the Commission's responsibilities in reporting on local government's role in community justice.

Action: Secretary

7. Annual Assurance and Risks Report

The Commission considered a report by the Secretary introducing the Controller of Audit's Annual Assurance and Risks Report (AARR).

During discussion, the Commission:

- In response to a point raised by Andrew Cowie on paragraphs 146 to 152 of the AARR, which set out the Controller's conclusion that there are weaknesses with councils' performance reporting and that 25 of 32 councils met the requirements of the Commission's 2018 Statutory Performance Information (SPI) Direction, noted advice from the Secretary that a forthcoming review of council performance in this regard, leading to the Commission considering a 2021 SPI Direction, would provide further analysis.
- Noted advice from the Audit Director, in response to a point raised by Christine Lester, on how the conclusions in the AARR, being based upon annual audit reports from the audit year ending in March 2020, are affected by

the significant changes to the policy environment caused by the Covid-19 pandemic.

- Agreed that, as part of its discussions around its refreshed strategy and work programme, it consider:
 - How audit work continues to reflect councils' self-evaluation of their performance (point raised by Andrew Cowie)
 - How the pace and depth of continuous improvement are reported through audit work (Pauline Weetman)
 - The fit of strategic audit priority 2, namely strategic option appraisal, with the current policy environment (Geraldine Wooley)
 - How the risks identified in Exhibit 2 of the AARR are reflected in audit work (Sheila Gunn)
 - As part of its theme on community empowerment, which it agreed at its February meeting, how progress with council approaches such as participatory budgeting are assessed and reported in audit work (Sharon O'Connor).

Action: Secretary

- Noted advice from the Audit Director, in response to a query from Tim McKay, on how progress against the 2020 performance audit on affordable housing is to be reported, including a scheduled impact report in this regard.
- Agreed that messages from the AARR be promoted in as accessible language as possible, as part of the Commission's communications strategy (Sophie Flemig).

Action: Secretary

- That it further consider its role in contributing to strategic thinking by local government leaders in relation to improvement, including in conjunction as appropriate with the Improvement Service (Sophie Flemig)

Action: Secretary

Following discussion, the Commission agreed to endorse the Annual Assurance and Risks Report and thereby the assurance provided by the Controller of Audit on his reporting to the Commission of matters arising in audit work.

8. Briefing: Scottish budget

The Commission considered a briefing paper by the Audit Director, Audit Services and PABV on the Scottish budget.

During discussion, the Commission:

- Agreed that the forthcoming local government overview report, to be considered at its April meeting, include consideration of matters relating to the local government funding mechanism.
- Noted that Exhibit 2 of the report should be titled "Changes in the in-year budget for 2020/21".

Action: Director of PABV

Following discussion, the Commission noted the briefing paper and commended the Audit Director and his team for the quality of his paper.

9. Strategic Alliance between the Accounts Commission and the Improvement Service

The Commission considered a report by the Secretary proposing a Joint Statement of Intent for a Strategic Alliance between the Accounts Commission and the Improvement Service (IS) and proposing to agree joint priorities for the next 12 months.

Following discussion, the Commission:

- Approved the Joint Statement of Intent for the Strategic Alliance between the Commission and the IS.
- Noted advice from the Secretary that the Joint Statement was considered and approved by the IS Board at its meeting on 5 March 2021.
- Agreed joint priorities for collaborative work for the next 12 months for the Commission and the IS (as proposed in paragraph 5).
- Agreed further to this end, in response to a point made by Geraldine Wooley, that further thought be given to prioritising work with integration joint boards.
- Agreed that the Commission promote the Strategic Alliance with its stakeholders, jointly with the IS as appropriate.
- Agreed that the Commission and the IS jointly review progress in delivering the Strategic Alliance at the end of the first 12 months of its operation.

Actions: Secretary and Director of PABV

10. Financial devolution and constitutional change update

The Commission considered a report by the Audit Director, Audit Services and PABV providing an update on key developments surrounding financial devolution and constitutional change.

During discussion, the Commission:

- Noted advice from the Audit Director, in response to a point made by the Interim Chair, he would keep the Commission updated on the progress of the UK Government Levelling Up Fund.
- Noted advice from the Audit Director, in response to a point made by Andrew Burns, he would keep the Commission updated on the impact on local government of the continued rollout of the delivery of devolved social security benefits.
- Noted advice from the Audit Director that he and Fiona Diggle, Audit Manager were available to liaise with any member with further queries on the paper.

Following discussion, the Commission noted the report and commended the Audit Director and his team for the quality of his paper.

11. Secretary's update report

The Commission considered and noted a report by the Secretary providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

The Commission noted advice from the Secretary that, in line with the approach

agreed with Commission members, members had been given the opportunity to provide queries on his report in advance of the meeting, a response to which he would circulate to members.

To this end, the Commission noted in relation to paragraphs 47 (i.e. homeless death rates) and 70 (earnings levels in Scotland), in response to a query from Pauline Weetman, that such reports are picked up as part of Audit Scotland's cluster monitoring arrangements (by the Health Care and Communities cluster for paragraph 47 and by the Public Finances, Investment and Economic Development cluster for paragraph 70). In turn, this monitoring work informs development of the work programme. For planning annual audit reports, if the issue is highlighted as a specific risk, in a specific area, the audit team would consider these national reports during their audit work.

Following discussion the Commission noted the report.

12. Interim Chair's update report

The Commission considered and noted a report by the Interim Chair providing an update on recent and upcoming activity.

13. Controller of Audit's update report

The Commission noted advice from the Interim Chair that in line with arrangements she had agreed with the Secretary and Audit Scotland to ensure that Controller of Audit support for the Commission continues in the period up to the appointment of a new postholder, she could advise that there were no Controller of Audit matters requiring the Commission's attention at this time.

14. Any other public business

The Interim Chair, having advised that there was no business for this item, closed the public part of the meeting.

15. Audit quality developments update (in private)

The Commission considered a report by the Associate Director, AQA, providing an update on key audit quality developments in AQA, including the draft Audit Quality Complaints procedure, ICAS contract extension, and transparency of audit quality reporting.

During discussion on the draft Audit Quality Complaints Procedure, the Commission:

- Agreed that AQA consider various points raised by members in relation to the wording of the draft procedure.
- Noted that AQA would liaise specifically to this end with Sheila Gunn and Pauline Weetman, and any other members if they desire.
- Agreed to note that AQA would submit a further draft of the Audit Quality Complaints Procedure to the Commission at a future meeting for its endorsement.
- Noted advice from the Associate Director, in response to a query from Christine Lester, that she would consider how the procedure is shared with audit providers, including how this is disseminated within audit providers.
- Noted advice from the Associate Director, in response to a query from Pauline Weetman, that she would consider how the procedure manages

confidentiality, including scope for obligations on complainants in this regard.

Actions: Associate Director, AQA

Following discussion, the Commission:

- Noted the intention of the Associate Director to seek legal advice on the efficacy of the new Appointment Letter and Audit Quality Complaints Procedure as part of the ongoing new audit appointments process.
- Noted that AQA had agreed with ICAS (The Institute of Chartered Accountants of Scotland) a one-year extension to its contract to provide independent assurance on the performance of auditors as part of audit quality reporting.
- Noted the report.

16. Best Value update (in private)

The Commission considered a report by the Secretary providing an update on matters relating to Best Value.

The Commission:

- Agreed to the recommendation of the Best Value Working Group that the previously agreed schedule for the Commission considering Best Value Assurance Reports be revised accordingly, to reflect pressures on auditors and audited bodies arising from the Covid-19 pandemic:
 - South Ayrshire Council: October 2021 (previously August 2021)
 - Falkirk Council: January 2022 (previously November 2021).
- Noted the report, including the latest conclusions of the Best Value Working Group.
- Noted the progress of the stakeholder engagement plan.

17. New audit appointment update (in private)

The Commission considered a report by the Interim Chair providing an update on the progress made with new audit appointments and seeking the Commission's agreement to proposed future tendering arrangements.

Following discussion, the Commission:

- Agreed the recommendation of the New Audit Appointments Steering Group with regard to future tendering arrangements.
- Agreed that the Interim Chair respond to the letter from the Associate Director, AQA seeking agreement to this end, as attached to the report.

Action: Interim Chair

- Noted the report.

18. Appointment of Interim Controller of Audit (in private)

The Commission considered and noted a verbal update from the Interim Chair on the appointment of an Interim Controller of Audit.

The Commission agreed to seek the approval of the Minister for Local Government, Housing and Planning to appoint Antony Clark as Controller of Audit on an interim basis for a period of 12 months forthwith, in accordance with Section 97(4) of the Local Government (Scotland) Act 1973

19. Any other private business

The Interim Chair having advised that there was no business for this item, closed the meeting.

Close of meeting

The meeting closed at 12.55pm.