

MEETING: 7 APRIL 2022

MINUTES OF PREVIOUS MEETING

Minutes of the 487th meeting of the Accounts Commission held via 'hybrid' (in-person and online) meeting, in the offices of Audit Scotland at 102 West Port, Edinburgh and online on Thursday 10 March 2022, at 9.30am.

PRESENT:

- * William Moyes (Chair)
- * Andrew Burns
- ** Andrew Cowie
- ** Sophie Flemig
- ** Sheila Gunn
- ** Christine Lester
- * Tim McKay
- ** Stephen Moore
- ** Sharon O'Connor
- * Geraldine Wooley
- * In person
- ** Online

IN ATTENDANCE:

- Paul Reilly, Secretary to the Accounts Commission
- Antony Clark, Interim Controller of Audit and Director of Performance Audit and Best Value (PABV)
- Michelle Borland, Business Manager, PABV (item 10)
- Elaine Boyd, Director, Audit Quality and Appointments (AQA) (item 16)
- Carol Calder, Audit Director, PABV (item 8)
- Gemma Diamond, Audit Director, PABV (item 10)
- John Gilchrist, Manager, AQA (item 16)
- Pat Kenny, Director, Deloitte LLP (items 6 and 15)
- Kenneth Lawrie, Chair, Local Government Benchmarking Framework Board and Chief Executive, Falkirk Council (item 7)
- Emily Lynch, Programme Manager, Improvement Service (item 7)
- Owen Smith, Senior Manager, AQA (item 16)
- Martin Walker, Acting Director of Corporate Services (item 17)
- Karlyn Watt, Senior Manager, Deloitte LLP (items 6 and 15)
- Nichola Williams, Senior Auditor, PABV (item 8)

<u>Item</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Order of business
4.	Minutes of meeting of 10 and 17 February 2022
5.	Minutes of meetings of Commission committees of 24 February 2022
6.	Statutory report – Orkney and Shetland Valuation Joint Board
7.	Local Government Benchmarking Framework: National Benchmarking Overview Report 2020/21
8.	Annual Assurance and Risks Report 2022
9.	Work programme: stakeholder consultation feedback 2022
10.	Strategy and work programme: Work programme update
11.	Secretary's update report
12.	Chair's update report
13.	Interim Controller of Audit's update report
14.	Any other public business
15.	Statutory report – Orkney and Shetland Valuation Joint Board (in private)
16.	New audit appointments: portfolio proposals (in private)
17.	Audit Scotland update (in private)
18.	Best Value Working Group update (in private)
19.	Any other private business (in private)

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest were noted:

- Andrew Cowie, in items 6 and 15, as a former Her Majesty's Assistant Inspector of Constabulary and former Chief Officer of Police Scotland, and thus previously involved in partnership working with Orkney and Shetland councils.
- Tim McKay, in item 16, as Chair of the Audit Committee of the Scottish Legal Aid Board, being a body currently audited by Audit Scotland.
- Geraldine Wooley, in items 6 and 15, as a member of Fife Valuation Appeals Committee and as a member of the Royal Institution of Chartered Surveyors, in relation to references to valuation matters.

3. Order of business

It was agreed that the following items be considered in private:

- Item 15, as it required the Commission to consider actions in relation to a report by the Interim Controller of Audit. The Commission is then obliged by statute to inform the appropriate body of its decisions, which the Commission does before making the decision public.
- Item 16, as it required the Commission to consider confidential commercial and contractual matters.
- Item 17, as it may have required the Commission to consider confidential policy matters.
- Item 18, as it may have required the Commission to consider confidential policy, commercial and contractual matters.

The Chair advised that there was no business for item 19.

4. Minutes of meeting of 10 and 17 February 2022

The minutes of the meeting of 10 and 17 February 2022 were approved as a correct record, subject to including Christine Lester in the attendance list.

Arising therefrom, the Commission:

- In relation to item 7, seventh bullet point, noted advice from the Secretary that responses to the various consultations and inquiries had been made available as appropriate to members.
- In relation to item 8, fourth bullet point, noted advice from the Interim Director of PABV that further information on the funding of health and social care integration, including references in the Budget to the proposed National Care Service, would be provided in forthcoming overview reporting.
- In relation to item 14, noted advice from the Interim Director of PABV that the briefing on drug and alcohol services had been published on 8 March.
- In relation to item 15, second bullet point, noted advice from the Director of PABV

that the Local Government Financial Overview 2020/21 report was published on 10 March.

- In relation to item 15, fifth bullet point, noted advice from the Secretary that the future strategy for overview reporting would be discussed initially at the Commission's forthcoming Strategy Seminar, as part of its consideration of its overall Strategy.

5. Minutes of meetings of Commission committees of 24 February 2022

The minutes of the meetings of the Commission's committees of 24 February 2022 were approved as a correct record.

Arising therefrom, the Commission:

- Agreed the following recommendations of the Financial Audit and Assurance Committee:
 - That the Commission's approach to its self-evaluation be considered as part of the Strategy Seminar (paragraph 3 of the minute).

Action: Secretary
 - That the Commission respond to the emergency consultation by the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board (CIPFA/LASAAC) on proposals by the Department for Levelling Up, Housing and Communities (DLUHC) on accounting requirements in the light of continuing delays in completing local audits in England (paragraph 6).

Action: Secretary
 - That the Commission response reflect that:
 - It does not agree with the proposal from CIPFA/LASAAC that accounts preparers should have the option to pause professional revaluation of property, plant and equipment.
 - It does not agree with the CIPFA/LASAAC proposal that preparers should have the option to pause revaluation and adopt an indexation approach.
 - It does not support further deferral of implementation of International Financial Reporting Standard 16 on lease accounting, as proposed by CIPFA/LASAAC.

Action: Secretary
 - That the Commission encourage appointed auditors to liaise with their audited body to draw attention to the emergency consultation.

Action: Secretary
- Agreed, in noting that given the short timescale involved in the consultation, the Commission Chair implemented these recommendations on the Commission's behalf, agreed retrospectively to this action.
- Agreed the following recommendations of the Performance Audit Committee:
 - That it consider its definition of and approach to human rights (paragraph 4 of the minute).

Action: Secretary & Interim Director of PABV

- That it consider how to apply a 'stress testing' approach to public services in relation to the financial and social impact of Covid-19 (paragraph 4).

Action: Secretary & Interim Director of PABV

- That it consider public involvement and participation in audit work (paragraph 4).

Action: Secretary & Interim Director of PABV

- That it consider the effect on its audit reporting and its responsibilities of the United Nations Convention on the Rights of the Child (paragraph 4).

Action: Secretary & Interim Director of PABV

- That it continue to monitor the effect of the planned reform of social care on relationships between local government, Scottish Government and the third sector (paragraph 4).

Action: Secretary & Interim Director of PABV

- That its work be provided to public inquiries at Scottish and UK levels into the impact of the Covid-19 pandemic (paragraph 5).

Action: Secretary

- That Stephen Moore has authority to agree the final draft of the blog on additional support needs (paragraph 7).

Action: Interim Director of PABV

- That Andrew Burns and Sophie Flemig have authority to agree the approach to the briefing paper on child poverty, along with the Auditor General (paragraph 7).

Action: Interim Director of PABV

6. Statutory report – Orkney and Shetland Valuation Joint Board

The Commission considered a report by the Secretary presenting the Interim Controller of Audit's statutory report on the Orkney and Shetland Valuation Joint Board ('Joint Board').

The Commission raised several questions and points of clarification from the Interim Controller of Audit and his team on his report in the following areas:

- The legal status of the unlawful decisions taken by the Joint Board (Tim McKay).
- Implications of the matter for other local government bodies (Andrew Burns and William Moyes).
- Sources of advice for the Joint Board (Sheila Gunn).
- Training and development of Joint Board members (Sheila Gunn and Sharon O'Connor).
- Sustainability of officer support for the Joint Board (Geraldine Wooley).
- The role of the internal audit function (Andrew Cowie).
- Future audit reporting on the matter (Andrew Cowie).

The Commission also noted advice from the Controller of Audit on the statutory powers used as a basis for his report.

Following discussion, the Commission agreed to consider in private how to proceed.

7. Local Government Benchmarking Framework: National Benchmarking Overview Report 2020/21

The Commission considered a report by the Secretary introducing the Local Government Benchmarking Framework (LGBF) National Benchmarking Overview Report 2020/21 and introducing Kenneth Lawrie, Chair of the LGBF Board and Chief Executive of Falkirk Council, and Emily Lynch, Programme Manager at the Improvement Service, who presented the draft report.

The Chair welcomed Kenneth Lawrie and Emily Lynch to the meeting, who undertook a presentation setting out messages from the National Benchmarking Overview Report and progress against the LGBF Board's strategic objectives.

During discussion, the Commission:

- Noted advice from Kenneth Lawrie, in response to points by Sophie Flemig, how the LGBF Board continued to consider:
 - how to ensure appropriate reporting of the effects of the Covid-19 pandemic on council services
 - how to develop the reporting of wellbeing data.
- Noted advice from Kenneth Lawrie, in response to points by Andrew Cowie:
 - on the importance of councils responding to the Commission's Statutory Performance Information Direction by not restricting the reporting of performance information to LGBF data
 - that it is his view that the Commission could be more sophisticated in its use of LGBF data in, for example, Best Value reporting.

Action: Secretary & Interim Director of PABV

- Noted advice from Emily Lynch, in response to points from Christine Lester:
 - On how the LGBF Board is encouraging councils to optimise their effectiveness in how they consider the implications of local variations in LGBF data
 - That the LGBF Board acknowledges the scope for longer-term trend analysis of LGBF data.
- Proposed to the LGBF Board that it consider points raised by Stephen Moore on:
 - Making use of data from other scrutiny bodies
 - More expansive reporting of the local government budget settlement (including for example in social care)
 - More reporting of staffing figures
 - In relation to social care, more reporting of the user experience and more analysis of service quality
 - More reporting of trends in areas of deprivation
 - In relation to looked-after children, providing more contextual analysis of data and more reporting on outcomes
 - In relation to adult social care, more reporting on mental health and adults with disabilities

Action: Secretary

- Agreed, in response to a point by Stephen Moore, that it consider how it makes better use of LGBF data in audit reporting.

Action: Secretary & Interim Director of PABV

- Noted advice from Kenneth Lawrie, in response to points by Andrew Burns, on thought being given by the LGBF Board on:
 - how to report more expansively on year-round data
 - how to make more links between finances and outcomes.
- Noted advice from Emily Lynch, in response to a query from Tim McKay, on how she is working with some councils to develop more creative use of reporting of LGBF data to citizens.

Following discussion, the Commission:

- Noted the LGBF National Benchmarking Overview Report 2020/21.
- Agreed to consider the implications of the report for its Local Government Overview report at its April meeting.

Action: Secretary and Interim Director of PABV

- Agreed, further to a point by William Moyes, that further dialogue with the LGBF Board take place in the coming months on the future development of the project and in particular on how the Board work with the Commission of making better use of LGBF data in its work, with the Commission updated accordingly.

Action: Secretary

The Chair thanked Kenneth Lawrie and Emily Lynch for attending the meeting.

8. Annual Assurance and Risks Report 2022

The Commission considered a report by the Secretary introducing the Interim Controller of Audit's Annual Assurance and Risks Report (AARR) which included seeking the Commission's consideration of proposed areas of Best Value thematic work.

During discussion, the Commission:

- Agreed that further thought be given to presenting more concisely the matters and risks reported through future AARRs.

Action: Interim Controller of Audit

- Noted advice from the Interim Controller of Audit, in response to a point by Andrew Cowie, that reporting on the performance of health and social care integration joints in the lead up to any introduction of a National Care Service represented a substantial risk to the Commission, upon which the Best Value Working Group would report to the Commission further in due course.

Action: Secretary & Interim Controller of Audit

- Noted advice from the Interim Controller of Audit, in response to a point by Sophie Flemig, that auditors were engaging with councils on progress with post-pandemic recovery planning.

Following discussion, the Commission:

- Agreed to endorse the AARR and thereby the assurance provided by the Interim Controller of Audit on his reporting to the Commission of matters arising in audit work.

- Agreed to consider the implications of the AARR for its overview reporting, strategy and work programme, most immediately at its forthcoming Strategy Seminar.

Action: Secretary & Interim Controller of Audit

- Agreed that further discussion on potential Best Value thematic audit work in 2022/23 take place with a view to subsequent engagement with auditors and approval by the Commission.

Action: Secretary & Interim Controller of Audit

- Further to this end, noting areas of interest expressed by members worthy of further reporting:
 - Community empowerment (raised by Tim McKay)
 - Reducing inequalities (Andrew Burns) and implications of the Fairer Scotland Duty (Geraldine Wooley)
 - Partnership working, particularly in the context of community planning partnerships (Christine Lester)
 - Leadership (Sheila Gunn) including succession planning (Sharon O'Connor).

Action: Interim Controller of Audit

9. Work programme: stakeholder consultation feedback 2022

The Commission considered a report by the Secretary summarising the key messages from the Commission's consultation on its work programme for 2022 and beyond and asking the Commission to consider responses from stakeholders.

During discussion, the Commission:

- Agreed that the following points from members be further considered for reflecting in the work programme:
 - Identifying areas of good practice that may be worthy of considering as part of the *How Councils Work* report series (raised by Tim McKay)
 - Identifying audit work or reporting on specific council services (Sophie Flemig, Geraldine Wooley, William Moyes)
 - Developing a place-based approach to auditing and reporting (Sophie Flemig)
 - Reporting on impact of council performance on the most vulnerable (Sophie Flemig).
 - Leadership (Sophie Flemig).

Action: Interim Director of PABV

Following discussion, the Commission noted the responses from the consultation.

10. Strategy and work programme: Work programme update

The Commission considered a report by Interim Director of PABV introducing the latest refresh of the joint Commission and Auditor General for Scotland work programme.

During discussion, the Commission:

- Agreed, further to a point by Sophie Flemig, that future consideration by the

Commission of refreshes of the work programme include more information on the resources committed to products and options therein.

Action: Interim Director of PABV

- Agreed, further to a point by Geraldine Wooley, that future work on early learning and childcare include consideration of economic impacts in this regard.

Action: Interim Director of PABV

- Agreed that the Director report further on how reporting of impact will develop.

Action: Interim Director of PABV

Following discussion, the Commission:

- Noted the progress delivering the work programme from December 2021 to February 2022.
- Noted the planned products up to September 2022.
- Agreed the proposed changes to the programme.

Action: Interim Director of PABV

- Agreed to delegate to the Chair and Interim Deputy Chair final approval for this update at a joint meeting with the Auditor General for Scotland on 21 March 2022.

Action: Interim Director of PABV

- Agreed that impact reports are not required on the performance audits outlined in paragraph 11 of the report.

Action: Interim Director of PABV

- Agreed to have an annual work programme stocktake session outside of regular work programme updates – linking with Commission strategic planning including its Strategy Seminar - to allow for more time to discuss the points in paragraph 13 of the report.

Action: Secretary & Interim Director of PABV

11. Secretary's update report

The Commission considered 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 the Secretary's report in advance of the meeting, a response to which he would circulate to members.

During discussion, the Commission:

- Agreed, in relation to paragraph 54, further to a query from Geraldine Wooley, that the progress of the inquiry by the Scottish Parliament's Social Justice and Social Security Committee into challenges faced by individuals on low incomes and debt problems be reported to the Commission as appropriate.

Action: Secretary & Interim Director of PABV

Following discussion, the Commission:

- Agreed not to respond to the consultations highlighted at paragraphs 30, 54 and

55 of the report.

- Noted the responses to the consultations highlighted in paragraph 6.
- Noted the report.

12. Chair's update report

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

13. Interim Controller of Audit update report

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

14. Any other public business

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

The livestream of the meeting was stopped at this point.

15. Statutory report – Orkney and Shetland Valuation Joint Board (in private)

The Commission discussed how to proceed in relation to the Interim Controller of Audit's statutory report on the Orkney and Shetland Valuation Joint Board.

Following discussion, the Commission agreed to make findings to be published on 22 March.

16. New audit appointments: portfolio proposals (in private)

The Commission considered a report by the Director, Audit Quality and Appointments (AQA), presenting portfolio options for the firms that are being contracted to carry out the 2022/23 to 2026/27 audits.

During discussion, the Commission:

- Noted comments by Tim McKay commending the work of the New Audit Appointments Steering Group.
- Noted advice from the Director, in response to a query from Tim McKay, on the matters taken into account by the AQA team in composing the options presented in the report.
- Noted advice from the Director, in response to a query from Christine Lester, on the impact of audit rotations and allocations on individual auditors.

Following discussion, the Commission:

- Agreed the recommendation to approve model 3 set out in the report as a basis for further refinement of audit portfolios.
- Noted the next steps in the process to be undertaken by the AQA team.
- Agreed that final portfolios be considered for approval at the April meeting of the Commission.

Actions: Director, AQA

17. Audit Scotland update (in private)

The Commission considered and noted a presentation by the Acting Director of Corporate Services providing an update on the ongoing strategic business of Audit Scotland, particularly in relation to the progress of its Strategic Improvement Programme.

During discussion, the Commission:

- Noted advice from the Acting Director on current thinking by Audit Scotland on developing an approach to future working arrangements including hybrid working, upon which he would keep the Commission updated.
- Agreed, further to a point by Sophie Flemig, that the Acting Director report further on the implications for the Commission of Audit Scotland's data security policy.
- Agreed, further to a point by Sophie Flemig, that the Acting Director discuss further with the Commission the development of for the approach to digital auditing.

Actions: Acting Director of Corporate Services

18. Best Value Working Group update (in private)

The Commission considered a verbal update by the Secretary on the work of the Best Value Working Group (BVWG).

Following discussion, the Commission noted that a written update would be provided at its next meeting.

19. Any other private business

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

20. Close of meeting

The meeting closed at 3.05pm.