

MEETING: 8 SEPTEMBER 2022

REPORT BY: SECRETARY TO THE COMMISSION

MINUTES OF PREVIOUS MEETING

Introduction

1. This paper presents for the Commission's approval the draft minutes of the previous meeting of the Commission along with a summary of matters arising from those minutes.

Minutes

2. The Commission agreed at its April meeting that matters arising from previous minutes be set out in a written report.
3. The minute of the previous meeting is in **Appendix 1**. A summary of matters arising is in **Appendix 2**.
4. Members should note that the action tracker – available on the member SharePoint site and also provided to members on a monthly basis – provides updates on progress from previous meetings.

Conclusion

5. The Commission is asked to:
 - a) Approve the attached draft minute of its previous meeting.
 - b) Note the summary of the matters arising, as well as any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
29 August 2022

APPENDIX 1

Minutes of the 491st 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 11 August 2022 at 9.30am.

PRESENT: William Moyes (Chair)
Andrew Burns
Andrew Cowie
* Sophie Flemig (items 1 to 16)
Sheila Gunn
Christine Lester
Tim McKay
Stephen Moore
* Sharon O'Connor (items 1 to 15)
Geraldine Wooley
* Online attendance

IN ATTENDANCE: Paul Reilly, Secretary to the Accounts Commission
Antony Clark, Executive Director of Performance Audit and Best Value (PABV) and Interim Controller of Audit
Elaine Boyd, Director of Audit Quality and Appointments (AQA) (items 18 and 19)
Fiona Brannigan, Senior Manager, PABV (item 15)
Anne Cairns, Benefits Manager, PABV (item 13)
Carol Calder, Interim Audit Director, PABV (item 16)
Maria D'Aria, Audit Officer, PABV (items 5 and 12)
Lynsey Davies, Senior Auditor, PABV (items 5 and 12)
Simon Ebbett, Communications Manager (item 7)
Corrinne Forsyth, Senior Auditor, PABV (item 14)
John Gilchrist, Manager, AQA (item 18)
Pat Kenny, Associate Partner, Deloitte (items 5 and 12)
Mark MacPherson, Senior Manager, PABV (items 5 and 12)
Joanna Mansell, Communications Adviser (item 15)
Zoe McGuire, Audit Manager, PABV (items 5 and 12)
Carolyn McLeod, Audit Director, PABV (items 14 and 15)
Tricia Meldrum, Senior Manager, PABV (item 14)
Richard Robinson, Senior Manager, PABV (item 6)
Rebecca Seidel, Senior Manager, PABV (item 15)
Kathrine Sibbald, Senior Manager, PABV (item 19)
Owen Smith, Senior Manager, AQA (item 18)
Martin Walker, Acting Director, Corporate Services Group (item 20)
Karlyn Watt, Senior Manager, Deloitte (items 5 and 12)

<u>Item</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declaration of connections
3.	Order of business
4.	Minutes of meeting of 9 June 2022
5.	Best Value Assurance Report: Shetland Islands Council
6.	Resource Spending Review and Medium-Term Financial Strategy – Commission briefing
7.	Accounts Commission Communication and Engagement Strategy
8.	Secretary's update report
9.	Chair's update report
10.	Interim Controller of Audit's update report
11.	Any other public business
12.	Best Value Assurance Report: Shetland Islands Council (in private)
13.	Draft Audit Scotland report on the National Fraud Initiative in Scotland 2020/21 (in private)
14.	Draft briefing: Tackling child poverty (in private)
15.	Draft briefing: Scotland's councils' approach to addressing climate change (in private)
16.	Accounts Commission symposium proposal (in private)
17.	Best Value update (in private)
18.	Audit quality: specification of external quality assurance (in private)
19.	New audit appointments – lessons learned (in private)
20.	Audit Scotland update (in private)
21.	Any other private business (in private)

1. Apologies for absence

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

2. Declaration of connections

There were no connections declared.

3. Order of business

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

- Item 12 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 council of its decisions, which the Commission does before making the decision public.
- Items 13, 14 and 15 proposed draft publications for the Commission to consider in private before publishing.
- Item 16 required the Commission to consider confidential policy, business and commercial matters.
- Items 17 and 19 required the Commission to consider matters in relation to Best Value and the new audit appointments process, which may require consideration of confidential commercial and contractual matters.
- Item 18 required the Commission to consider confidential policy matters.
- Item 20 required the Commission to consider confidential policy matters and data which belongs to Audit Scotland and is not in the public domain.

The Chair advised that there was no business for item 21.

4. Minutes of meeting of 9 June 2022

The Commission considered a report by the Secretary presenting the minutes of the meeting of 9 June 2022, including a summary of business arising from those minutes.

The Commission:

- Approved the minutes as a correct record.
- Noted the summary of the matters arising.

5. Best Value Assurance Report: Shetland Islands Council

The Commission considered a report by the Secretary presenting the Interim Controller of Audit's Best Value Assurance Report on Shetland Islands Council.

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

- Reporting in the annual audit (raised by William Moyes and Tim McKay)
- Council spending (Tim McKay)
- Procurement (Tim McKay)
- Strategic planning (Andrew Burns)
- Housing (Sheila Gunn)

- Officer skills and capacity in relation to improvement (Geraldine Wooley)
- Service redesign (Sophie Flemig)
- Engagement with young people (Sophie Flemig)
- Political leadership (Andrew Cowie)
- Workforce planning (Andrew Cowie)
- Community and service user engagement (Sharon O'Connor)
- Climate change (Sharon O'Connor)
- Financial management (Stephen Moore)
- Health and social care (Stephen Moore)
- Equalities (Christine Lester).

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

6. Resource Spending Review and Medium-Term Financial Strategy –Commission briefing

The Commission considered a report by the Executive Director of PABV and Interim Controller of Audit providing an update on the contents and implications of the Resource Spending Review and the latest Medium-Term Financial Strategy, highlighting some of the key implications for local government finances.

Following discussion, the Commission:

- Noted the report and briefing.
- Agreed that further information be provided on local government employee costs.

*Action: Executive Director of PABV
and Interim Controller of Audit*

- Noted advice from the Secretary that he would consider with the Chair and Executive Director of PABV how the Commission review its work programme to reflect the strategic risks to local government arising from the Resource Spending Review and Medium-Term Financial Strategy.

Action: Secretary

7. Accounts Commission Communication and Engagement Strategy

The Commission considered a report by the Audit Scotland Communications Manager proposing an Accounts Commission Communications and Engagement Strategy 2022-26.

Following discussion, the Commission:

- Approved the strategy, priorities and work plan, subject to:
 - The strategy reflecting a higher profile for the third and voluntary sector (point raised by Stephen Moore and Sophie Flemig)
 - Further refining of the targets applied to the strategy's objectives (Andrew Cowie)
 - The workplan being clearer on responsibilities for delivering actions (Andrew Cowie)

- The strategy being clearer about the Commission's Alliance (and thus collaboration) with the Improvement Service (Andrew Cowie)
- References in the strategy and workplan to the Commission meeting remotely to be presented in terms of encouraging geographic inclusion (Andrew Cowie)
- The strategy having more information on the role of the Commission and its relationship with stakeholders (Sophie Flemig)
- The strategy giving more prominence to innovative use of social media (Sophie Flemig).

Action: Communications Manager and Secretary

- Agreed that reporting of progress against the strategy include effectiveness against resource provision for different activities (Sophie Flemig and Tim McKay).

Action: Communications Manager and Secretary

- Agreed the importance of higher priority being given to the public as a stakeholder of the Commission (Sheila Gunn and Christine Lester).

Action: Communications Manager and Secretary

- That further information be provided on how the Commission will gauge stakeholder views and awareness of the Commission (Christine Lester).

Action: Communications Manager and Secretary

8. 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.

Following discussion, the Commission:

- Agreed in relation to paragraph 104 of the report that the Secretary share with members for comment the draft response to the call for views by the Scottish Parliament's Health, Social Care and Sport Committee on the Bill for the establishment of a National Care Service.

Action: Secretary

- Noted in relation to paragraph 12 of the report advice from Tim McKay on the joint webinar with the Improvement Service for councillors on 3 August considering the Commission's Annual Local Government overview report 2022.
- Agree that it respond to the consultations and calls for views highlighted at paragraphs 26, 40, 45, 58, 103, 104 and 118 of the report.

Action: Secretary

- Agree that it do not respond to the consultations highlighted at paragraphs 54 and 119 of the report.

Action: Secretary

- Agree that it do not respond to the consultation highlighted at paragraph 31 of the report, but to note that Audit Scotland will respond, which the Secretary would share with the Commission.

Action: Secretary

- Noted advice from the Secretary that he was discussing with Audit Scotland how the Commission ensures a proportionate approach to engaging in consultation exercises.

Action: Secretary

- Noted the report.

9. Chair's update report

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

10. Interim Controller of Audit's update report

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

11. 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.

12. Best Value Assurance Report: Shetland Islands Council (in private)

The Commission discussed how to proceed in relation to the Interim Controller of Audit's Best Value Assurance Report on Shetland Islands Council.

Following discussion, the Commission agreed:

- To make findings to be published on 25 August 2022.

Action: Secretary

- That the Interim Controller of Audit provide further information on the reporting of progress by the Council against its Best Value duty in the annual audit.

Action: Interim Controller of Audit

13. Draft Audit Scotland report on the National Fraud Initiative in Scotland 2020/21 (in private)

The Commission considered a report by the Executive Director of PABV providing information about Audit Scotland's draft report on the 2020/21 National Fraud Initiative exercise.

Following discussion, the Commission:

- Commended Audit Scotland on the quality of the report.
- Commended local authorities for their participation in the exercise.
- Noted the report.
- Noted the planned publication arrangements.
- Agreed to promote the messages in the report to local authorities.

Action: Secretary and Audit Scotland Communications Manager

- Noted advice from the Secretary that he would report further on the respective responsibilities of the Commission and Audit Scotland in relation to the NFI, as part of the ongoing review of the Partnership Working Framework between the Commission, the Auditor General and Audit Scotland.

Action: Secretary

14. Draft briefing: Tackling child poverty (in private)

The Commission considered a report by the Executive Director of PABV proposing a draft joint Commission and Auditor General briefing paper on tackling child poverty and proposing arrangements for finalising, publishing and promoting the briefing paper.

Following discussion, the Commission:

- Approved the draft briefing, subject to the drafting team addressing in conjunction with the sponsors, Andrew Burns and Sophie Flemig, points raised in discussion.
- Agreed that the sponsors approve final amendments to the briefing and signing it off on behalf of the Commission prior to publication.
- Agreed the arrangements for publication and the proposed approach for promoting the report.

Actions: Executive Director of PABV

15. Draft briefing: Scotland's councils' approach to addressing climate change (in private)

The Commission considered a report by the Executive Director of PABV proposing a draft briefing paper on local government's approach to addressing climate change and proposing arrangements for finalising, publishing and promoting the briefing paper.

Following discussion, the Commission:

- Approved the draft briefing.
- Agreed that the sponsors approve final amendments to the briefing and signing it off on behalf of the Commission prior to publication.

Actions: Executive Director of PABV

- Agreed the proposals for promoting the report as set out in the promotion plan, subject to including some joint promotion activity of this briefing alongside that on tackling child poverty.

*Actions: Executive Director of PABV
and Communications Manager*

16. Accounts Commission symposium proposal (in private)

The Commission considered a joint report by the Executive Director of PABV and the Secretary proposing a Commission-led symposium with key strategic stakeholders on the theme 'Opportunities and Challenges for Scottish Local Government'.

Following discussion, the Commission:

- Agreed the proposal for a strategic stakeholder engagement event on 'Opportunities and Challenges for Scottish Local Government' and the potential timing of the event.

*Action: Secretary, Executive Director of PABV
and Communications Manager*

- Noted its desire to participate in more local government, audit and public policy events, to be taken forward as part of its Communications and Engagement Strategy.

Action: Secretary and Communications Manager

17. Best Value update (in private)

The Commission considered a report by the Secretary providing an update on Best Value matters, namely the work of the Best Value Working Group (BVWG) and proposals for the scheduling of Controller of Audit reports.

Following discussion, the Commission:

- Noted the latest conclusions of the BVWG.
- Agreed that the following councils be included in statutory reporting by the Controller of Audit in the first year of the new approach to auditing Best Value, for inclusion in the 2022/23 planning guidance: Clackmannanshire, Dumfries and Galloway, Dundee City, Falkirk, Moray, Orkney Islands, South Ayrshire and West Dunbartonshire councils.
- Noted the indicative programme for the following three years.

Action: Executive Director of PABV

18. Audit quality: specification of external quality assurance (in private)

The Commission considered a report by the Director of Audit Quality and Appointments proposing a draft specification to be used to procure a new contract for an external provider of audit quality assurance.

During discussion, the Commission:

- Noted advice from the Director, in response to a query from Tim McKay, that a contract will cover reporting on the quality of work for the annual integrated audit, performance audits and briefing papers.
- Noted advice from the Director, in response to a query from Tim McKay, that the contract will include external assurance on the robustness of improvement actions taken by audit providers in responding to quality assessments in assurance reporting.
- Noted its desire for external assurance to include prominence to identifying and reporting good practice (point raised by Andrew Cowie).

Action: Director of Audit Quality and Appointments

- Noted advice from the Director, in response to a query from Christine Lester, on options open to the Commission in responding to the outcome of the proposed tendering exercise.

Following discussion, the Commission approved the draft specification.

Action: Director of Audit Quality and Appointments

19. New audit appointments – lessons learned (in private)

The Commission considered a report by the Director of Audit Quality and Appointments seeking the Commission's perspective on the project which put in place the latest round of new audit appointments, and on areas for improvement.

Following discussion, the Commission:

- Endorsed the recommendations in the report, subject to these reflecting the conclusions reached in discussion.

Actions: Director of Audit Quality and Appointments

- Noted advice from the Secretary of the importance of this work to the ongoing review of the Partnership Working Framework between the Commission, Auditor General and Audit Scotland.

Action: Secretary

20. 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 that links existed between the Audit Scotland Strategic Improvement Programme and the ongoing review of the Partnership Working Framework between the Commission, Auditor General and Audit Scotland:

Following discussion, the Commission noted the update.

21. Any other private business

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

Close of meeting

The meeting closed at 3.20pm.

Matters Arising – 11 August 2022 Commission Meeting

Action	Action by	Update
6. Resource Spending Review and Medium-Term Financial Strategy –Commission briefing		
Agreed that further information be provided on local government employee costs.	Executive Director of PABV and Interim Controller of Audit	The most recent employment costs data is included within the Scottish Government's Scottish Local Government Finance Statistics 2020-21 publication (page 14). This states: <i>"In 2020-21, employee costs were the largest element of gross service expenditure, accounting for £8,19m. These costs relate to salaries and wages, national insurance and superannuation contributions, cash allowances paid to employees, redundancy and severance payments and any other costs relating to employees. Employee costs in 2020-21 have decreased by 0.8 per cent, or £68 million, from 2019-20, however this is due to the 2019-20 employee costs figure including a one[1]off equal pay settlement of £463m for Glasgow City Council. Employee costs have increased by 22.0 per cent, or £1,478m, over the last five years."</i> I understand that the scope of the Local Government Overview will be discussed in September, where pay and financial sustainability could be considered further. In the meantime, I hope this is helpful in giving a sense of scale to local government pay costs.
Noted advice from the Secretary that he would consider with the Chair and Executive Director of PABV how the Commission review its work programme to reflect the strategic risks to local government arising from the Resource Spending Review and Medium-Term Financial Strategy.	Secretary	The paper on today's agenda on the work programme proposes an annual review of the work programme. There will also be an opportunity for discussion in this regard at the Mid-year Strategy Seminar on 21 September.

Action	Action by	Update
7. Accounts Commission Communication and Engagement Strategy		
Approved the strategy, priorities and work plan, subject to: • The strategy reflecting a higher profile for the third and voluntary sector (point raised by Stephen Moore and Sophie Flemig) • Further refining of the targets applied to the strategy's objectives (Andrew Cowie) • The workplan being clearer on responsibilities for delivering actions (Andrew Cowie) • The strategy being clearer about the Commission's Alliance (and thus collaboration) with the Improvement Service (Andrew Cowie) • References in the strategy and workplan to the Commission meeting remotely to be presented in terms of encouraging geographic inclusion (Andrew Cowie) • The strategy having more information on the role of the Commission and its relationship with stakeholders (Sophie Flemig) • The strategy giving more prominence to innovative use of social media (Sophie Flemig).	Communications Manager and Secretary	These are now being reflected in a further draft of the plan which will be shared with members for information in due course..
Agreed that reporting of progress against the strategy include effectiveness against resource provision for different activities (Sophie Flemig and Tim McKay).	Communications Manager and Secretary	The Strategy commits to reporting progress on an annual basis.
Agreed the importance of higher priority being given to the public as a stakeholder of the Commission (Sheila Gunn and Christine Lester).	Communications Manager and Secretary	The paper considered by the Commission gives a higher priority to the public. This is reflected in the planned activities in the workplan also agreed by the Commission.

Action	Action by	Update
That further information be provided on how the Commission will gauge stakeholder views and awareness of the Commission (Christine Lester).	Communications Manager and Secretary	A brief is being drawn up to secure an external provider of such data and information.
8. Secretary's update report		
Agreed in relation to paragraph 104 of the report that the Secretary share with members for comment the draft response to the call for views by the Scottish Parliament's Health, Social Care and Sport Committee on the Bill for the establishment of a National Care Service.	Secretary	Action complete. Draft shared with members on 15 August.
Agree that it respond to the consultations and calls for views highlighted at paragraphs 26, 40, 45, 58, 103, 104 and 118 of the report.	Secretary	These responses will be submitted and shared with members. Please note that in relation to paragraph 58 (Scottish Government consultation on the current inspection arrangements for early learning and childcare and school-aged childcare), it has been agreed with the team not to respond, as the consultation is pitched at an operational level and primarily at service providers.
Agreed that it do not respond to the consultations highlighted at paragraphs 54 and 119 of the report.	Secretary	Noted for our records.
Agreed that it do not respond to the consultation highlighted at paragraph 31 of the report, but to note that Audit Scotland will respond, which the Secretary would share with the Commission.	Secretary	Submission deadline is 23 September, so will be shared with members once submitted.
Noted advice from the Secretary that he was discussing with Audit Scotland how the Commission ensures a proportionate approach to engaging in consultation exercises.	Secretary	Discussions ongoing.
12. Best Value Assurance Report: Shetland Islands Council (in private)		
To make findings to be published on 25 August 2022.	Secretary	Action complete. Findings published on 25 August.

Action	Action by	Update
That the Interim Controller of Audit provide further information on the reporting of progress by the Council against its Best Value duty in the annual audit.	Interim Controller of Audit	In progress.
13. Draft Audit Scotland report on the National Fraud Initiative in Scotland 2020/21 (in private)		
Agreed to promote the messages in the report to local authorities.	Secretary and Audit Scotland Communications Manager	In progress.
Noted advice from the Secretary that he would report further on the respective responsibilities of the Commission and Audit Scotland in relation to the NFI, as part of the ongoing review of the Partnership Working Framework between the Commission, the Auditor General and Audit Scotland.	Secretary	In progress.
14. Draft briefing: Tackling child poverty (in private)		
Approved the draft briefing, subject to the drafting team addressing in conjunction with the sponsors, Andrew Burns and Sophie Flemig, points raised in discussion. • Agreed that the sponsors approve final amendments to the briefing and signing it off on behalf of the Commission prior to publication. • Agreed the arrangements for publication and the proposed approach for promoting the report.	Executive Director of PABV	Action complete. Actioned by audit team and sponsors.
15. Draft briefing: Scotland's councils' approach to addressing climate change (in private)		
Agreed that the sponsors approve final amendments to the briefing and signing it off on behalf of the Commission prior to publication.	Executive Director of PABV	Action complete. Actioned by audit team and sponsors.

Action	Action by	Update
Agreed the proposals for promoting the report as set out in the promotion plan, subject to including some joint promotion activity of this briefing alongside that on tackling child poverty.	Executive Director of PABV and Communications Manager	In train. These promotion activities will take place following publication of the briefing.
16. Accounts Commission symposium proposal (in private)		
Agreed the proposal for a strategic stakeholder engagement event on 'Opportunities and Challenges for Scottish Local Government' and the potential timing of the event.	Secretary, Executive Director of PABV and Communications Manager	In progress. Further discussions with stakeholders on the scheduling of the event and a brief being prepared for external assistance.
Noted its desire to participate in more local government, audit and public policy events, to be taken forward as part of its Communications and Engagement Strategy.	Secretary and Communications Manager	In progress. A more effective process is needed to ensure we optimise how we identify such opportunities.
17. Best Value update (in private)		
Agreed that the following councils be included in statutory reporting by the Controller of Audit in the first year of the new approach to auditing Best Value, for inclusion in the 2022/23 planning guidance: Clackmannanshire, Dumfries and Galloway, Dundee City, Falkirk, Moray, Orkney Islands, South Ayrshire and West Dunbartonshire councils.	Executive Director of PABV	Action complete. Information provided to Paul O'Brien (Senior Manager, Professional Support) for inclusion in 2022/23 annual audit planning guidance.
18. Audit quality: specification of external quality assurance (in private)		
Noted its desire for external assurance to include prominence to identifying and reporting good practice (point raised by Andrew Cowie).	Director of Audit Quality and Appointments	External assurance reports prepared by next regulator will be asked to include good practice examples where these are identified. These will be communicated in the annual audit quality reports prepared by AQA.
Following discussion, the Commission approved the draft specification.	Director of Audit Quality and Appointments	Noted. Further reports to the Commission as agreed.

Action	Action by	Update
19. New audit appointments – lessons learned (in private)		
Endorsed the recommendations in the report, subject to these reflecting the conclusions reached in discussion.	Director of Audit Quality and Appointments	Conclusions and comments from Commission members have been encompassed and a copy of the report sent to the Commission Secretary.
Noted advice from the Secretary of the importance of this work to the ongoing review of the Partnership Working Framework between the Commission, Auditor General and Audit Scotland.	Secretary	In progress. This matter features in the review plan.