

**463rd meeting of the Accounts Commission for Scotland**  
**Thursday 12 December 2019, 10.15am**  
**in the offices of Audit Scotland, 102 West Port, Edinburgh**

**Agenda**

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 10 to 16 in private (\* see note).
4. **Minutes of meeting of 14 November 2019.**
5. **Minutes of meeting of Financial Audit and Assurance Committee of 28 November 2019.**
6. **Minutes of meeting of Performance Audit Committee of 28 November 2019.**
7. **Audit Scotland Board update:** The Commission will consider a report by the Secretary to the Commission.
8. **Update report by the Secretary to the Commission:** The Commission will consider a report by the Secretary to the Commission.
9. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit.  
  
*The following items are proposed to be considered in private:*
10. **Briefing: Preparing for withdrawal from the European Union:** The Commission will consider a report by the Director of Performance Audit and Best Value.
11. **Local government overview: Challenges and performance 2020: emerging messages:** The Commission will consider a report by the Director of Performance Audit and Best Value.
12. **Performance audit: draft report - Early learning and childcare follow up:** The Commission will consider a report by the Director of Performance Audit and Best Value.
13. **Update: Developing the approach to Best Value auditing in Integration Joint Boards:** The Commission will consider a report by the Director of Performance Audit and Best Value.
14. **2019/20 audits – local government fees:** The Commission will consider a report by the Corporate Finance Manager.
15. **Best Value: statutory guidance:** The Commission will consider a report by the Secretary to the Commission.
16. **Commission business matters:** The Commission will discuss matters of interest.

\* It is proposed that items 10 to 16 be considered in private because:

- Item 10 proposes a briefing paper which the Commission is to consider in private before it is published.
- Item 11 is to discuss the emerging messages from an overview report which may require consideration of confidential policy matters in advance of further audit work and subsequent publication.
- Item 12 proposes a draft performance audit report which the Commission is to consider in private before publishing.
- Item 13 updates the Commission on development work on a new approach to auditing Best Value which may require consideration of confidential policy and commercial matters.
- Item 14 reports on proposed fees for the local government audit, on which the Commission may wish to discuss confidential commercial matters with the author.
- Item 15 proposes a response to the Scottish Government on draft statutory guidance, which may require discussion of confidential policy matters.
- Item 16 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers

The following papers are enclosed for this meeting:

<b>Agenda item</b>	<b>Paper number</b>
<b>Agenda item 4:</b> Minutes of meeting of 14 November 2019	AC.2019.11.1
<b>Agenda item 5:</b> Minutes of FAAC meeting of 28 <sup>th</sup> November 2019	AC.2019.11.2
<b>Agenda item 6:</b> Minutes of PAC meeting of 28 <sup>th</sup> November 2019	AC.2019.11.3
<b>Agenda item 7:</b> Report by Secretary to the Commission	AC.2019.11.4
<b>Agenda item 8:</b> Report by Secretary to the Commission	AC.2019.11.5
<b>Agenda item 10:</b> Report by Director of Performance Audit and Best Value	AC.2019.11.6
<b>Agenda item 11:</b> Report by Director of Performance Audit and Best Value	AC.2019.11.7
<b>Agenda item 12:</b> Report by Director of Performance Audit and Best Value	AC.2019.11.8
<b>Agenda item 13</b> Report by Director of Performance Audit and Best Value	AC.2019.11.9
<b>Agenda item 14</b> Report by Corporate Finance Manager	AC.2019.11.10
<b>Agenda item 15</b> Report by Secretary to the Commission	AC.2019.11.11

MEETING: 12 DECEMBER 2019

MINUTES OF PREVIOUS MEETING

---

Minutes of the 462<sup>nd</sup> meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 14 November 2019, at 10.00am.

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

IN ATTENDANCE: Paul Reilly, Secretary to the Commission  
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)  
Antony Clark, Audit Director, PABV (Item 10)  
Lisa Duthie, Senior Auditor, Audit Services (Item 7)  
John Gilchrist, Manager, Audit Quality and Appointments (AQA) (Item 12)  
Brian Howarth, Audit Director, Audit Services (Item 7)  
Robert Leask, Project Manager, AQA (Item 9)  
Chris Lewis, Senior Auditor, PABV (Item 7)  
Fiona Mitchell-Knight, Audit Director, Audit Services (Item 8)  
Paul O'Brien, Senior Manager, Professional Support (Item 11)  
Kathrine Sibbald, Audit Manager, PABV (Item 7)  
Gordon Smail, Audit Director, Professional Support (Item 11)  
Owen Smith, Senior Manager, AQA (Item 12)  
Rikki Young, Business Manager, PABV (Item 10)

Item Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 14 November 2019
5. Update report by the Secretary to the Commission
6. Update report by the Controller of Audit
7. Local Government in Scotland: financial overview 2019 – draft report (in private)
8. Proposed Best Value auditing approach in councils from 2021/22 (in private)
9. Audit appointments and new Code of Audit Practice - update (in private)
10. Strategic risks, priorities and Commission reporting responses – proposed stakeholder consultation (in private)
11. Review of local authority financial reporting and external audit in England: call for views – proposed Commission response (in private)
12. National Audit Office: New Code of Audit Practice: consultation – proposed Commission response (in private)
13. Commission business matters

1. Apologies for absence

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

2. Declarations of interest

The following declaration of interest was made:

- Elma Murray, in item 7, as a former officer of Glasgow City Council and chief executive of North Ayrshire Council, in relation to references to those councils in the report.

3. Decisions on taking business in private

It was agreed that item 7, 8, 9, 11,12 and 13 be considered in private because:

- Item 7 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 8 proposes an approach to auditing Best Value which will require the Commission to consider confidential policy, business and commercial matters.
- Item 9 requires decisions on a various aspects of the approach to new audit appointments and associated Code of Audit Practice, which will require the Commission to consider confidential policy, business and commercial matters.
- Items 11 and 12 propose responses to consultation exercises which may require the Commission to consider confidential policy matters.
- Item 13 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The Commission decided to take item 10 in public.

4. Minutes of meeting of 14 November 2019

The minutes of the meeting of 14 November 2019 were approved as a correct record.

5. Update report by the Secretary to the Commission

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.

During discussion, the Commission agreed:

- In relation to paragraph 21, not to respond to the Scottish Government consultation on youth justice standards, but to retain a watching brief on the matter.

*Action: Secretary and Director of PABV*

- In relation to paragraph 23, to note the relevance of Pupil Equity Funding to the ongoing performance audit on educational attainment.
- In relation to paragraph 30, to note its continuing interest in matters associated with remote and rural communities.
- In relation to paragraphs 73 and 74, to retain an interest in developments with political leadership in Perth and Kinross Council.

*Action: Controller of Audit and Secretary*

Following discussion, the Commission agreed to note the report.

6. Update report by the Controller of Audit

The Commission noted a verbal update from the Controller of Audit on his recent activity.

7. Local Government in Scotland: financial overview 2019 – draft report (in private)

The Committee considered a report by the Director of PABV proposing the draft local government financial overview 2019, the process for finalising the report, and publication arrangements for the report.

During discussion, the Commission agreed:

- To approve the draft report and supplement on pension fund accounts, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Graham Sharp and Elma Murray.

*Action: Director of PABV*

- To approve the publication and promotion arrangements for the report, subject to revisions raised in discussion.

*Actions: Secretary and Director of PABV*

8. Proposed Best Value auditing approach in councils from 2021/22

The Commission considered a report by the Director of PABV providing an update on the progress made so far by the Commission's Best Value Working Group on the key elements of the new approach to auditing Best Value and seeking the Commission's endorsement of this progress.

During discussion, the Commission agreed:

- To note advice from the Director that he would be reporting in his Annual Assurance and Risks Report on the progress made by community planning partnerships on local outcome improvement plans and locality plans.

*Action: Director of PABV*

- To note advice from the Director, in response to queries from members, about increased flexibility for him and for the Commission in the new approach.

Following discussion, the Commission:

- Endorsed the progress made by the Best Value Working Group on the future of Best Value auditing in councils.
- Noted that the Group would further refine the new approach, including considering resource implications in the context of fee strategy and the new Code of Audit Practice, with a view to further reporting to the Commission for its consideration.

*Action: Secretary and Director of PABV*

9. Audit appointments and new Code of Audit Practice – update

The Commission considered a report by the Secretary to the Commission providing an update on the progress with the project for new audit appointments and a new Code of Audit Practice (the 'Code').

Following discussion, the Commission:

- Noted the overall shape of the draft Code, subject to detailed points raised in discussion.
- Endorse a set of principles proposed by the Commission Chair on taking forward further drafting of the Code, namely:
  - The Commission prefers a single Code across public audit in Scotland.
  - Any new Code needs to reflect an aim of the Commission to minimise any increase in the cost of audit and thus audit fees
  - Any new Code needs to properly reflect the Commission’s desire to have Best Value at the core of the wider audit scope.
- That such further development of the Code be taken forward by the Commission Chair and the Chair of the Financial Audit and Assurance Committee in their membership of the project Steering Group.

*Action: Secretary*

- Noted that it would be considering a consultative draft of the Code at its January meeting, which would form the basis of stakeholder consultation in January to March 2020.
- Noted that it would be considering matters around the shape of the stakeholder consultation at its December meeting.
- Endorsed the position of the Steering Group that a ‘mixed market’ approach be the basis for a procurement strategy for new audit appointments.

*Action: Project Manager*

- Endorsed the position of the Steering Group that the current approach of a five-year appointment with an optional extension of two 12-month periods be retained for the new round of appointments.

*Action: Project Manager*

10. Strategic risk, priorities and Commission reporting response – proposed stakeholder consultation (NB in public)

The Commission considered a report by the Secretary to the Commission setting out the next steps in the Commission’s strategy and work programme refresh. And proposing for approval a 2020-25 work programme consultation document.

During discussion, the Commission agreed:

- In relation to a query from Stephen Moore, that the profile of poverty and inequality matters across all of its work be considered as part of the refresh exercise.

*Action: Director of PABV*

- In relation to a query from Sophie Flemig, to note advice from the Secretary about ongoing work around developing how the Commission engages with citizens and communities.
- Further in this regard, to further consider the matter at a future meeting.

*Action: Secretary*

- In relation to the content of the consultation paper:
  - To better set out the risk environment

- To set out policy themes
- To more prominently highlight in the consultation paper the desire of the Commission to receive suggestions for policy or subject areas for coverage in the *How Councils Work* series.

*Action: Secretary*

- That consultees include chairs and chief officers of health and social care integration joint boards.

*Action: Secretary*

Following discussion, the Commission:

- Endorsed the proposed consultation document.
- Noted the next steps for taking forward its strategy and work programme refresh as set out in this paper.

*Action: Secretary*

11. Review of local authority financial reporting and external audit in England: calls for views – proposed Commission response (in private)

The Commission considered a report by the Audit Director, Professional Support seeking the Commission's views on a proposed response to the Redmond Review's call for views into local authority financial reporting and external audit in England.

Following discussion, the Commission:

- Endorsed the proposed response made by Audit Scotland on behalf of the Commission and Auditor General for Scotland.

*Action: Audit Director, Professional Support*

- Agreed that the Chair write separately to the Review Chair to emphasise the importance to the Commission of its role in reporting on the audit to the public, and within this the importance of the reporting relationship between appointed external auditors, the Controller of Audit and the Commission.

*Action: Secretary*

12. National Audit Office: New Code of Audit Practice: consultation – proposed Commission response (in private)

The Commission considered a report by the Associate Director, Audit Quality and Appointments (AQA), seeking the Commission's endorsement of a response to the National Audit Office on its stage 2 consultation on its draft 2020 Code of Audit Practice, made by Audit Scotland on behalf of the Commission and the Auditor General for Scotland.

Following discussion, the Commission endorsed the response.

*Action: Associate Director, AQA*

13. Commission business matters

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



**MEETING: 12 DECEMBER 2019**

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF 28 NOVEMBER 2019**

---

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of West Port, Edinburgh on Thursday 28 November 2019 at 10.00am.

PRESENT: Pauline Weetman (Chair)  
 Andrew Burns  
 Sheila Gunn  
 Tim McKay  
 Elma Murray  
 Sharon O'Connor (by Skype)  
 Geraldine Wooley

COMMISSION MEMBERS  
 ALSO PRESENT: Christine Lester

IN ATTENDANCE: Paul Reilly, Secretary to the Commission  
 Fraser McKinlay, Controller of Audit  
 John Cornett, Audit Director, Audit Services (item 4)  
 John Gilchrist, Audit Manager, Audit Quality and Appointments (AQA) (item 6)  
 Fiona Kordiak, Director, Audit Services (items 3 to 5)  
 Anne MacDonald, Senior Audit Manager, Audit Services (item 4)  
 Paul O'Brien, Senior Manager (Professional Support) (item 5)  
 Owen Smith, Senior Manager, AQA (item 6)

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 26 September 2019
4.	Work programme update
5.	Current issues in councils
6.	Accounting and auditing update (six monthly report)
7.	Audit quality interim report
8.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Graham Sharp.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 26 September 2019

The minutes of the meeting of 26 September 2019 were noted, having previously been approved as a correct record by the Commission.

Arising therefrom, the Committee:

- In relation to item 4, third bullet point, noted advice from the Director, Audit Services that four local authorities (Renfrewshire Council, Dundee and Western Isles integration joint boards, and Glasgow and Clyde Valley Strategic Development Planning Authority) missed the deadline of 30 September for completion of the audit of their financial statements. In all four cases this was due to circumstances outwith the the auditors' control.
- In relation to item 6, fourth bullet point, noted advice from the Secretary that the Chief Executive of the Improvement Service would be speaking to the Commission at its January meeting, which presented an opportunity to discuss how both bodies present and promote good practice.

4. Work programme update

The Committee considered a report by the Controller of Audit on the progress of the work programme.

During discussion, the Committee:

- Noted advice from the Committee Chair that this was the first such report to the Committee, which will become a regular item.
- Noted advice from Tim McKay that:
  - The Housing Benefit Performance Audit Annual Review would be published on 14 January 2020.
  - Further in this regard, the ongoing thematic work in this regard, previously agreed by the Commission, would be reported to the Commission as follows:
    - Housing benefit overpayments: March 2020
    - Resourcing the benefits service: by end of March 2021.
- Noted advice from the Controller of Audit that he would continue discussion with the Secretary on developing the information presented in the report.

*Action: Controller of Audit and Secretary*

Following discussion, the Committee noted the report.

5. Current audit issues in councils

The Committee considered a report by the Controller of Audit on emerging issues and recurring themes, as well as individual issues of interest, in Scottish councils.

During discussion, the Committee agreed:

- To note advice from the Controller of Audit, in response to a query from the Committee Chair, that he would ensure that an actions tracker is incorporated into future reports.

*Action: Controller of Audit*

- To note advice from the Audit Director, Audit Services, in response to a query from the Committee Chair, that the next such report to the Committee would include an updated risk profile.

*Action: Controller of Audit*

- To note advice from the Director, Audit Services, in response to a query from Sheila Gunn and with reference to item 4 (seventh bullet point) of the minute of the meeting of 26 September, that she would report to the next meeting on the length of payback periods for council voluntary severance schemes.

*Action: Director, Audit Services*

- To note advice from the Controller of Audit, in response to a query from Sharon O'Connor, on national developments regarding responses to the Grenfell tragedy.

- In relation to queries from various members on allegations surrounding the awarding of a contract by Dundee City Council for heat and smoke and carbon monoxide detectors:

- To note advice from the Controller of Audit that the Council is continuing to keep the external auditor updated on investigations in this regard
- To note advice from the Controller of Audit that he would continue to monitor governance matters, particularly relating to elected member oversight, in relation to awarding of contracts across councils.

*Action: Controller of Audit*

- To note advice from the Secretary and Audit Director, Audit Services that they would discuss with other audit directors how such matters feature in audit risk monitoring.

*Action: Secretary and Audit Director, Audit Services*

- To note advice from the Controller of Audit, in response to a query from Andrew Burns, that he was continuing to monitor how Midlothian Council is proceeding with implementing an action plan arising from the Council's consideration of the Best Value Assurance Report on the Council which had been published on 4 July, progress on which had been reported in the external auditor's annual audit report.

*Action: Controller of Audit*

- To note advice from the Controller of Audit, in response to a query from Andrew Burns, that he would report to the next meeting on the impact of the Scottish budget timetable on local authorities' own budget-setting arrangements.

*Action: Controller of Audit*

- To note advice from the Audit Director, Audit Services, in response to a query from Tim McKay, that guidance has been issued to auditors from

Professional Support, Audit Scotland, on the accounting treatment of rescheduling of loans fund advances.

- To note advice from the Director of Audit Services, in response to a query from Tim McKay, that Professional Support has provided guidance to auditors on the accounting treatment of complex capital projects particularly where partnerships are involved.
- To note advice from the Controller of Audit, in response to a query from Sharon O'Connor, on the accounting treatment of Lender Option, Borrower Option Loans employed by Scottish councils.

Following discussion, the Committee noted the report.

#### 6. Accounting and auditing update – six monthly update

The Committee considered a paper by the Director, Audit Services, advising of the main accounting and auditing developments since the previous paper to the Committee at its April meeting.

During discussion, the Committee:

- Noted advice from the Director that she would continue to monitor the application by The Chartered Institute of Public Finance and Accountancy (CIPFA) of its financial resilience index in England and Wales, particularly regarding any prospect of any proposal for its introduction in Scotland.

*Action: Director, Audit Services*

- In relation to a query from Tim McKay on the CIPFA/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Code of Practice on Local Authority Accounting, particularly in relation to the accessibility to the public of local authority accounts:
  - Noted advice from the Senior Manager (Technical) that Professional Support are undertaking an ongoing good practice review of management commentaries in accounts, upon which he would report to a future meeting of the Committee.
  - Noted advice from the Director of Audit Services that the matter is being considered by the Redmond Review of local authority financial reporting and external audit in England.
  - Noted advice from the Secretary that the Commission's responsibilities in relation to its Statutory Performance Information Direction were of relevance to this matter, performance against which by councils was being considered by auditors in the current year, with a view to reporting in annual audit reports.
- Noted advice from the Senior Manager (Technical), in relation to a query from Pauline Weetman, on a likely limited impact on audit workload and fees arising from a revised ISA (International Standard of Auditing) on 'going concern'.

Following discussion, the Committee noted the report.

## 7. Audit quality interim report

The Committee considered a report by the Associate Director, Audit Quality and Appointments (AQA), presenting the report of AQA's work from 1 April to 30 September carried out to monitor the quality of audit performed by all audit providers between

During discussion, the Committee:

- Noted advice from the Senior Manager, AQA, in response to a query by the Committee Chair, that the Audit Quality Framework was signed off by the Audit Scotland Board at its meeting on 27 November and thus would be published forthwith.
- Noted advice from the Senior Manager, AQA, in response to a query from the Committee Chair, that paragraph 18 of the report should read "there is interest from the Accounts Commission on the extent...".

*Action: Associate Director, AQA*

- Noted the relevance to the Commission's ongoing consideration of a new Code of Audit Practice of the report's conclusions on risks arising from how Best Value work was reported in some 2018/19 annual audit plans.
- Noted advice from the Senior Manager, AQA, in response to a query from Tim McKay, that AQA had met with all audit providers in relation to the improvement area identified in paragraph 44 of the 2018/19 audit quality report regarding supporting positive conclusions in relation to audit dimensions.
- Noted advice from the Senior Manager, AQA, in response to a query from Geraldine Wooley, that AQA continues to monitor progress made by Audit Scotland and Grant Thornton against the improvement area identified in paragraph 72 of the 2018/19 audit quality report regarding addressing resourcing challenges identified by auditors, with a view to reporting further in the audit quality annual report 2019/20.

*Action: Associate Director, AQA*

Following discussion, the Committee:

- Noted the report and endorsed its conclusions, particularly the conclusions of the Associate Director that:
  - Auditors are delivering outputs within the expected deadlines and are preparing high quality audit plans.
  - The arrangements for reviewing and reporting on audit quality under the Audit Quality Framework are driving improvement in audit quality with clear evidence that previous recommendations are being implemented.
  - Audit work is of high quality and requires only limited improvements.
  - Public audit in Scotland is well placed to meet the challenges arising from current reviews of the auditing profession.
- Noted advice from the Audit Manager, AQA, that the report is shared with all audit providers.

8. Any other business

The Committee Chair advised the Committee that:

- She had recently observed a meeting of the Audit Scotland Audit Committee.
- She had asked the Secretary to discuss with the Commission Chair how to update the Commission on Audit Scotland Audit Committee business of relevance or interest to the Commission.

*Action: Secretary*

- She had resigned from her position on the New Audit Appointments Steering Group.

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

MEETING: 12 DECEMBER 2019

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 28 NOVEMBER 2019

---

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of West Port, Edinburgh on Thursday 28 November 2019, at 13.15

PRESENT: Elma Murray (Chair)  
Christine Lester  
Stephen Moore  
Sophie Flemig  
Graham Sharp  
Andrew Cowie

COMMISSION MEMBERS

ALSO PRESENT: Sheila Gunn (item 4)

IN ATTENDANCE: Paul Reilly, Secretary to the Commission  
Fraser McKinlay, Director of Performance Audit and Best Value (PABV)  
Morag Campsie, Senior Audit Manager, PABV (items 6 and 9)  
Antony Clark, Audit Director, PABV (items 4, 5 and 7)  
John Gilchrist, Audit Manager, AQA (item 8)  
Tricia Meldrum, Senior Manager, PABV (item 4)  
Bernadette Milligan, Audit Manager, PABV (item 6)  
Beverley Oakman, Audit Manager, PABV (item 4)  
Mark Roberts, Audit Director, PABV (item 6)  
Gordon Smail, Audit Director, PABV (item 9)  
Owen Smith, Senior Manager, AQA (item 8)  
Rikki Young, Business Manager, PABV (item 5)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 28 November 2019
4.	Performance audit: emerging messages – Education outcomes
5.	Work programme update
6.	Policy briefing: Public finances, investment and economic development
7.	Performance audit: scope – Digital progress in local government
8.	Impact report: Self-directed support
9.	Audit quality interim report
10.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Graham Sharp.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 26 September 2019

The minutes of the meeting of 26 September 2019 were noted, having previously been approved as a correct record by the Commission.

Arising therefrom, the Committee:

- In relation to item 4, fourth bullet point, noted advice from the Committee Chair that she would be convening a meeting of the internal advisory group on community empowerment on 4 December.
- In relation to item 4, fifth bullet point, noted advice from the Secretary that a work programme update report was considered by the Financial Audit and Assurance Committee at its meeting earlier that day, which had noted advice from the Controller of Audit that he would continue discussion with the Secretary on developing the information presented in that report.
- In relation to item 7, fourth bullet point, second sub-bullet, noted advice from the Secretary that the Chief Executive of the Improvement Service would be speaking to the Commission at its January meeting, which presented an opportunity to discuss how both bodies present and promote good practice.

4. Performance audit: emerging messages – Education outcomes

The Committee considered a report by the Director of PABV proposing the emerging messages for the performance audit, jointly with the Auditor General, *Improving outcomes for young people through school education*.

Following discussion, the Committee:

- Agreed the emerging messages, subject to the audit team addressing in conjunction with the audit sponsors, Sheila Gunn and Sharon O'Connor, the matters raised in discussion.
- Agreed to consider a draft report at its meeting in March 2020.

*Actions: Director of PABV and Secretary*

5. Work programme update

The Committee considered a report by the Director of PABV on the progress of the work programme.

During discussion, the Committee:

- Noted advice from the Director, arising from a query from Stephen Moore, that he would consider how leadership in public boards is reflected in the proposed briefing paper on leadership.

*Action: Director of PABV*

- Noted advice from the Secretary that future such update reports will inform, and be informed by, complementary reporting of risk to committees, on which he continues to be engaged in discussion with the Commission Chair.



- Noted advice from the Controller of Audit that he would continue discussion with the Secretary on developing the information presented in the report.

*Action: Controller of Audit and Secretary*

Following discussion, the Committee noted the report.

6. Performance audit: scope – Digital progress in local government

The Committee considered a report by the Director of PABV proposing the approach to the performance audit, in conjunction with the Auditor General, on digital progress in local government.

Following discussion, the Committee approved the approach proposed in the report, including the proposed audit scope leaflet for publishing, subject to the audit team addressing, in conjunction with the audit sponsors, Andrew Cowie and Christine Lester, the matters raised in discussion.

*Action: Director of PABV*

7. Impact report: Self-directed support

The Committee considered a report by the Director of PABV introducing a draft impact report for the performance audit *Self-directed support: 2017 progress report* published in August 2017.

Following discussion, the Committee:

- Approved the draft impact report, subject to the report team addressing in conjunction with the sponsor, Sophie Fleming, matters raised in discussion.
- Agreed the publication arrangements for the report including:
  - Publication on the Commission’s website.
  - A letter accompanying publication to all council chief executives.
  - An external blog or article by the sponsor.

*Actions: Secretary and Director of PABV*

8. Audit quality interim report

The Committee considered a report by the Associate Director, Audit Quality and Appointments (AQA), presenting the report of AQA’s work from 1 April to 30 September carried out to monitor the quality of audit performed by all audit providers between

During discussion, the Committee:

- Noted advice from the Committee Chair and Commission Secretary on the outcome of the consideration of the paper by the Financial Audit and Assurance Committee at its earlier meeting.
- Noted advice from the Senior Manager, AQA, in response to a query from the Andrew Cowie, that paragraph 18 of the report should read “there is interest from the Accounts Commission on the extent...”.

*Action: Associate Director, AQA*

- Noted advice from the Senior Manager, AQA, in response to a query from the Andrew Cowie, that audit planning guidance will take forward the recommendation under paragraph 28 that how auditors ensure that annual audit plans of non-council local government bodies set out planned Best Value work.
- Noted advice from the Senior Manager, AQA, in response to a query from Stephen Moore, that AQA had met with all audit providers in relation to the improvement area identified in paragraph 44 of the 2018/19 audit quality report regarding supporting positive conclusions in relation to audit dimensions, the outcome of which will be reported in the next annual audit quality report, to be considered by the committees in April.

*Action: Associate Director, AQA*

Following discussion, the Committee noted the report and endorsed its conclusions, particularly the conclusions of the Associate Director that:

- Auditors are delivering outputs within the expected deadlines and are preparing high quality audit plans.
- The arrangements for reviewing and reporting on audit quality under the Audit Quality Framework are driving improvement in audit quality with clear evidence that previous recommendations are being implemented.
- Audit work is of high quality and requires only limited improvements.
- Public audit in Scotland is well placed to meet the challenges arising from current reviews of the auditing profession.

9. Policy briefing: Public finances, investment and economic development

The Committee considered a report by the Director of PABV introducing a briefing for the public finances, investment and economic development policy cluster.

Following discussion, the Committee noted the briefing.

10. Review of Performance Audit Committee

The Committee considered a report by the Secretary to the Commission introducing a discussion by members on how the Committee conducts its business.

During discussion, a range of matters were agreed in relation to the Committee's and the Commission's business processes.

The Chair advised that she would take these forward with the Secretary, and the Commission Chair and Secretary respectively, reporting back to the Committee as appropriate.

11. Any other business

The Committee Chair advised the Committee that Pauline Weetman had resigned from her position on the New Audit Appointments Steering Group.

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

**MEETING: 12 DECEMBER 2019**

**REPORT BY: SECRETARY TO THE COMMISSION**

**AUDIT SCOTLAND BOARD UPDATE**

---

**Purpose**

1. This report provides an update on the business of the Audit Scotland Board.

**Background**

2. Audit Scotland is established in statute to “provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions”.<sup>1</sup>
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.<sup>2</sup> These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.<sup>3</sup>
4. As well as being a member of Audit Scotland’s Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.
5. In [Public Audit in Scotland](#)<sup>4</sup>, the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that “by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.”
6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland Board.

**Current Board business**

7. This report provides the Commission with the latest available minutes from the meeting of the Audit Scotland Board, in this case the meeting of 18 September 2019. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 27 November 2019, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 29 January 2020 and considered by the Commission at its February meeting.

---

<sup>1</sup> Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

<sup>2</sup> Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

<sup>3</sup> The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland’s proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor’s report before the Parliament; and (d) appoint three of the five members of Audit Scotland’s Board , including its Chair.

<sup>4</sup> *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest, and invites questions from members to this end.

### **Conclusion**

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

**Paul Reilly**  
**Secretary to the Commission**  
**4 December 2019**

# Minutes

Wednesday 18 September 2019, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

---

## **Present:**

Ian Leitch (Chair)  
Caroline Gardner  
Graham Sharp  
Heather Logan  
Alan Alexander

## **Apologies:**

None

## **In attendance:**

Diane McGiffen, Chief Operating Officer  
Stuart Dennis, Corporate Finance Manager  
Gayle Fitzpatrick, Corporate Governance Manager  
Rebecca Seidel, Audit Manager, Performance Audit and Best Value  
Mark Roberts, Audit Director, Performance Audit and Best Value  
Graeme Greenhill, Senior Audit Manager, Performance Audit and Best Value  
Ian Metcalfe, Corporate Governance Officer  
Robert Leask, Project Manager  
Simon Ebbett, Communications Manager

### **1. Welcome and apologies**

The Chair welcomed members and attendees to the meeting in public of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 16 September 2019.

### **2. Declarations of interest**

There were no declarations of interest.

### **3. Decision on items to be taken in private**

The Board agreed the items to be taken in private.

### **4. Chair's report – verbal update**

The Chair provided a verbal update on meetings with Caroline Gardner and Diane McGiffen on general business matters and a meeting with the Scottish Commission for Public Audit in relation to the recruitment of members to the Board in 2020.

The Board welcomed the update.

### **5. Accountable Officer's report – verbal update**

Caroline Gardner advised members of work related to the start of the Parliamentary session including meetings of the Public Audit and Post Legislative Scrutiny (PAPLS) committee which had considered briefings on the Colleges Overview (13 June 2019), Enabling Digital (27 June 2019), SPPA (5

September 2019), NHS Workforce (12 September 2019) and evidence sessions on Social Security (5 September 2019), Colleges Overview (12 September 2019).

Caroline invited members to note the number of Section 22 reports arising from this year's audits requiring additional work from audit teams. The Board noted that PAPLS had published its own report on key audit themes and Caroline advised she was meeting with the Convenor of PAPLS on 19 September 2019.

Caroline invited the Board to note her contribution to the Scottish Parliament's book to celebrate its 20<sup>th</sup> anniversary and highlighted key engagements including the meeting of the Chief Operating Officers of the UK Audit Agencies hosted by Diane McGiffen on 21 June 2019, the Performance Audit Forum meeting hosted by the Office of the Comptroller and Auditor General in Dublin and chaired by Fraser McKinlay on 21 June 2019 and of a meeting with Adrian Crompton, the new Auditor General for the Welsh Audit office hosted on 11 September 2019.

Caroline invited the Board to note that audit teams are currently involved in delivering Central Government audits by the end of September 2019, following the conclusion of Health audits in June 2019. Caroline advised the Board that Angela Cullen, Audit Director, Performance Audit and Best Value had left the organisation in the Summer and following a competitive recruitment process Mark Roberts and Gemma Diamond had been appointed on a job share basis to the role of Audit Director.

The Board welcomed the update, noted the continuing engagement with UK audit agencies and welcomed the appointment of Mark Roberts and Gemma Diamond to the Leadership Team.

## **6. Accounts Commission Chair's report – verbal update**

Graham Sharp invited the Board to note that the Accounts Commission had considered Best Value reports on Clackmannanshire and Midlothian Councils (13 June 2019) and Perth and Kinross Council (August 2019) and advised of subsequent follow up visits to each of the Councils. The Commission also considered the joint Auditor General for Scotland and Accounts Commission report on Scotland's City Region and Growth Deals and advised of the session held with the Youth Scotland panel at which a number of Commission members had volunteered to be mentors for young people.

Graham advised the Board that the Accounts Commission had held their mid-year Strategy session on 11 September 2019 which had focused on audit risk and resource.

Graham invited the Board to note the Accounts Commission will be considering a report on Scottish Borders Council at its meeting on 9 October 2019 and highlighted the publication of the Strategic Scrutiny Group's principles for community empowerment briefing which had been well received across the public sector in advance of the publication of the National Scrutiny Plan.

Graham advised of a number of recent engagements including a meeting with COSLA, attendance at the SOLACE conference and forthcoming attendance at the Local Government Committee on 25 September 2019 and a meeting with the Chair of Local Government Benchmarking Framework.

Heather Logan asked if additional resources were required to support the National Scrutiny Plan. Graham advised there was commitment from partners and resource requirements would be reviewed twice a year.

Following discussion, the Board welcomed the update.

## **7. Review of minutes: Board meeting 5 June 2019**

The Board considered the minutes of the meeting of 5 June 2019, which had been previously circulated and agreed that these were an accurate record of the meeting.

## **8. Review of action tracker**

The Board noted the updates provided by the action tracker and Graham Sharp confirmed he was content with the additional fee breakdown information provided under action ASB93.

## **9. 2019/20 Q1 Financial performance report**

*Stuart Dennis, Corporate Finance Manager, joined the meeting.*

Stuart Dennis introduced the 2019/20 Q1 Financial performance report, a copy of which had been previously circulated.

Stuart Dennis invited the Board to note the financial results for the 3 months to 30 June 2019.

The Board noted the financial performance reported and Heather Logan sought assurance around the level of temporary staff pay and skills. Stuart Dennis advised that pay rates for temporary staff were similar to that of permanent staff. Diane advised that the business model in place received additional resources for peak times, rather than resourcing for these peaks all year round.

Alan Alexander noted that the level of fee income reported for Audit Services and the firms was behind that predicted. Stuart provided assurance that there is regular monitoring of fee income and there are no concerns at this time.

Alan noted the agency cost overspend and part contribution from the Management Contingency to support. Stuart advised this related to digital resource to support Audit Scotland's migration to SharePoint.

The Board noted the report.

*Stuart Dennis, Corporate Finance Manager, left the meeting.*

## **10. 2019/20 Q1 Corporate performance report**

Gayle Fitzpatrick introduced the 2019/20 Q1 Corporate performance report, a copy of which had been previously circulated.

Gayle invited the Board to review the quarter one performance report and to consider areas where additional management attention is required.

Graham Sharp sought clarification on the cost per audit day and Diane McGiffen advised this is the real cost of audit based on allocation of costs and work delivered.

Heather Logan advised she would welcome the inclusion of a trend indicator included in future quarterly reporting.

Following discussion, the Board welcomed the report.

## **11. 2019/20 Q1 Strategic improvement programme update report**

Gayle Fitzpatrick introduced the 2019/20 Q1 Strategic improvement programme update report, copies of which had been previously circulated.

The members of the Board were invited to note the Q1 update, next steps and milestones.

Graham Sharp advised that the Principles of community empowerment reported was a Strategic Scrutiny Group report and Gayle advised the reference to this would be amended in the report.

Graham Sharp had a general question on audit approach and best practice benchmarking to inform future efficiencies. Diane McGiffen highlighted efficiency targets were reported annually to the Board and Audit Committee and agreed to arrange a presentation by Management Team on how efficiencies are managed in audits. Diane advised that Audit Scotland would require a full understanding of the Accounts Commission's requirement from audit as part of the work preparing for the new audit appointments.

Heather Logan welcomed the update in relation to Being a world class organisation with a number of actions already underway and asked about planning assumptions for the Career development gateways. Diane McGiffen highlighted how the CDGs have helped us respond to the external

operating environment, recognising the increasing volume of work. Diane advised of a number of areas being considered as part of the approach to improving resourcing, through the vacancy factor and recognising the lag in onboarding colleagues, whether through internal promotions as part of the CDG process or a recruitment campaign, and the timing of graduate recruitment.

Caroline Gardner highlighted the pace and scale around the devolved financial powers and increased challenges of additional statutory reporting with more issues arising from the audit work. Gayle Fitzpatrick advised the Board that the Performance Risk Management Group continue to review performance on costs and delivery.

Following discussion, the Board noted the performance reported.

**Action ASB96: Diane McGiffen to schedule a presentation by Management Team on efficiencies which are managed through audit. (January 2020)**

## 12. Financial devolution and constitutional change update

*Rebecca Seidel, Audit Manager, Performance Audit and Best Value and Mark Roberts, Audit Director, Performance Audit and Best Value, joined the meeting.*

The Chair welcomed Mark Roberts to the meeting and the Board recorded their congratulations on his recent appointment as Audit Director.

Rebecca Seidel introduced the Financial devolution and constitutional change update report, which had been previously circulated.

Rebecca Seidel invited the Board to note the update on the significant developments surrounding financial devolution and constitutional change, including Audit Scotland's response and organisational arrangements.

During detailed discussion, the Board considered the politically charged environment and sought assurance around Audit Scotland's responsibility and independence.

Caroline Gardner advised that Audit Scotland has two roles, one is the audit of the financial statements as well as an engagement role in developing the financial reporting process as part of the fiscal framework. Rebecca advised the Board of the need to ensure sufficient capacity to be able to respond to the increased work as more financial powers are devolved.

The Board discussed the assignment of Value Added Tax and the need to assess the impact any assignment methodology for Scotland. Caroline Gardner advised that the National Audit Office would provide an opinion on the transfer value and the audit methodology will provide assurance that the assessment had been applied.

Heather Logan asked how the National Fraud Initiative impacts and Diane McGiffen advised that the initiative continues to develop and audit work on fraud will be reflected in the annual audit planning guidance.

The Board acknowledged the level of public interest in devolved powers and recognised the continued engagement with the Scottish Government and the UK audit agencies on reporting on the fiscal framework and budget setting. The Board recognised the importance of Audit Scotland's continued engagement while maintaining its independence.

## 13. Business continuity planning – EU withdrawal

Mark Roberts introduced the Business continuity planning – EU withdrawal report, copies of which had been previously circulated.

Mark Roberts invited the Board to consider and discuss the implications of the EU withdrawal and the business continuity arrangements in place.

Mark Roberts provided a verbal update on developments since the issue of the report and advised of how Audit Scotland keeps colleagues updated on developments, has offered support to colleagues



seeking settled status, engaging with stakeholders regarding preparations for a no deal and sharing intelligence from audit reports on levels of preparedness across the public sector. Mark advised that EU withdrawal will form part of audit work for some time to come and a further report will come to the Board.

The Board noted Audit Scotland had undertaken a Business Continuity test exercise on 17 September 2019. Caroline Gardner advised that this had been useful and provided a real sense of the potential impact for public bodies delivering critical services. Caroline provided assurance about the testing and readiness of Audit Scotland to respond to various scenarios.

Following discussion, the Board welcomed the report.

**Action ASB97: A further report to be scheduled on preparedness for EU withdrawal as required. (November 2019)**

*Rebecca Seidel and Mark Roberts left the meeting.*

#### **14. Annual policy review: Corporate governance policies**

Gayle Fitzpatrick introduced the Annual policy review: Corporate governance policies, copies of which had been previously circulated.

Gayle Fitzpatrick invited the Board to note the recommendation from the Audit Committee to approve the updates to the Financial Regulations, Scheme of Delegation and Codes of Conducts for members and staff for a further year.

##### **a) Scheme of Delegation**

Following consideration, the Board approved the Scheme of Delegation for a further year.

##### **b) Financial regulations**

Following consideration, the Board approved the Financial regulations for a further year.

##### **c) Members code of conduct**

Following consideration, the Board approved the Members Code of Conduct for a further year.

##### **d) Staff code of conduct**

Following consideration, the Board approved the Staff Code of Conduct for a further year.

#### **15. Policy review: Freedom or information and environmental information**

Gayle Fitzpatrick introduced the Annual policy review: Freedom of information and environmental information report, a copy of which had been previously circulated.

Gayle Fitzpatrick invited the Board to consider and approve Audit Scotland's Freedom of information and Environmental Information Policy for a further year.

Following consideration, the Board approved the policy for a further year.

#### **16. Policy review: Records management**

Gayle Fitzpatrick introduced the Policy review: Records management, which had been previously circulated.

The Board were invited to consider and approve the Records Management policy for a further year.

Following consideration, the Board approved the Records Management policy for a further year.

## **17. Proposed schedule of meeting dates 2020**

Diane McGiffen introduced the Proposed schedule of meeting dates 2020, copies of which had been previously circulated.

The Board was invited to consider and approve the proposed meeting dates for 2020.

Alan Alexander asked whether there would be consideration of Audit Committee meetings being held in public and the Chair advised that should be discussed with the new Chairs of Audit Scotland's Board and Audit Committee when they are appointed in 2020.

Following discussion, the Board approved the schedule of Board and Committee meetings for 2020.

**Action ASB98: A further discussion on public meetings of the Audit Committee to be scheduled. (May 2020)**

## **18. Any other business**

There was no further business.

## **19. Review of meeting**

The members agreed that items of business had been carefully considered and the Chair thanked everyone for their contributions.

## **20. Date of next meeting: 27 November 2019**

The members noted the draft agenda for the next meeting of the Audit Scotland Board scheduled for 27 November 2019 in the offices of Audit Scotland, 102 West Port, Edinburgh.

## **Items taken in private – Private minute**

### **21. 2019/20 Spring budget revision**

*Stuart Dennis Corporate Finance Manager and Rebecca Seidel, Audit Manager, Performance Audit and Best Value re-joined the meeting.*

Stuart Dennis introduced the 2019/20 Spring budget revision, copies of which had been previously circulated.

Stuart Dennis invited the Board to consider and approve the submission of a request to the Scottish Commission for Public Audit for an amendment to Audit Scotland's 2019/20 budget.

The Board considered the proposed increase in resources required to meet non cash pension charges of £10m in order to meet potential significant additional IAS 19 pension charges though the Annually Managed Expenditure (AME) as part of the Spring Budget Revision submission.

The Board noted that the non cash accounting charge accounted for £4.1m of the proposal and the remainder was to provide for the effect of the McCloud case and possible movement in discount rates. The submission was based on guidance received from the Scottish Government Finance Team and took into account that Audit Scotland is unable to carry reserves to meet any additional pension liabilities.

Following discussion, the Board approved Audit Scotland's 2019/20 Spring Budget Revision.

### **22. 2020/21 Draft Budget proposal**

Stuart Dennis introduced the 2020/21 Draft budget proposal report, copies of which had been previously circulated.

Stuart Dennis invited the Board to consider the draft expenditure budget proposal for 2020/21 and cost projections for the following four financial years, and to comment in particular on the budget assumptions in the report.

The Board considered the assumptions set out in the draft budget proposal and the potential requirement to submit an amended budget proposal depending on the outcome of the EAFA situation.

The Board noted the potential risks highlighted in relation to pension costs, pay award, the outcome of EAFA audit work impact and EU withdrawal which will lead to increased scrutiny and demand, resulting in a proposed increase of fees across all sectors.

Alan Alexander sought assurance that the Digital Services budget was sufficient to meet demands in light of increased workload. Diane McGiffen provided assurance that the team are content they can deliver within budget as they continue to transfer systems to cloud based products.

Heather Logan asked whether the property assumptions accommodated future increased headcount and Diane advised that the Edinburgh office had been designed to accommodate up to 300 colleagues on an exceptional basis although workspace in Glasgow was under pressure at peak audit times. Diane advised that the Business Support Services team monitor occupancy and colleagues are supported to work remotely too. Diane advised of the forthcoming rent review for Edinburgh in April 2020.

Following discussion, the Board approved the preparation of an expenditure budget for consideration at its meeting on 27 November 2019 and noted the potential requirement to submit an amended budget proposal following clarification of the EAFA audit work programme.

*Stuart Dennis left the meeting.*

## **23. Scottish Commission for Public Audit: Review of Audit Scotland Board and SCPA**

Gayle Fitzpatrick introduced Scottish Commission for Public Audit: Review of Audit Scotland Board and SCPA, copies of which had been previously circulated.

Gayle Fitzpatrick invited the Board to consider the outcome from the Scottish Commission for Public Audit's review, agree actions in response to the recommendations and agree any comments it wishes to share with the Commission in response to the recommendations.

The Chair noted the assurance received around good governance and invited comments from members taking the recommendations in turn.

Members highlighted a misunderstanding in the report in relation to the quorum and independent appointments and agreed the response would clarify that although the Auditor General for Scotland the Chair of the Accounts Commission are Crown and ministerial appointments respectively, all members have the same role and responsibilities in their appointment to the Board and members agreed to include an explanation on the time limit of appointments.

Turning to the Chair's attendance at Audit Committee meetings, the Board noted the good practice that the Chair and Accountable Officer are not members of the Audit Committee but typically attend these. The members also noted that Audit Committee Chair and members hold a private session with auditors immediately before Committee meetings ensuring clear accountability for Committee members and as such agreed no change was regarded as necessary to the standing orders.

The Board agreed with the co-option recommendation as well as the recommendation that the Audit Committee's Annual Report would be provided to the SCPA alongside Audit Scotland's Annual report and accounts each year.

The Board agreed they would ask the Audit Committee to consider and approve the proposed changes to the Standing Orders.

**Action ASB98: A report will be scheduled to the Audit Committee to approve the proposed changes to Audit Scotland's Standing Orders. (November 2019)**

## **24. New audit appointments update**

*Robert Leask, Project Manager, Audit Quality and Appointments, joined the meeting.*

Alan Alexander, Chair of the Steering Group, introduced the New audit appointments update report, copies of which had been previously circulated.

Alan Alexander invited the Board to note the progress outlined in the report and in particular, to note the urgency of mitigating the risk to the project's critical path as set out in paragraphs 9 and 10 of the report.

The Board noted the appointment of Robert Leask as project manager to ensure good governance and delivery of the project on time.

Alan Alexander advised members that the Steering Group will be considering the project initiation document at its meeting on 3 October 2019 which will then be circulated to the Board for consideration at its meeting on 27 November 2019. Alan advised Board members to note the risk identified at the Code of Audit Practice Project meeting on 16 September 2019 relating to the finalisation of the Code. Robert Leask advised that the Code consultation is scheduled to commence in January 2020 and conclude in March 2020. The timetable allows for the Auditor General for Scotland to reflect on the Code before it is finalised prior to issuing the ITT. The risk to achieving this timeline is the proposed Accounts Commission timing for the Best Value consultation which feeds into the Code and which is currently scheduled to commence after the Audit Scotland consultation on the draft Code.

The Chair sought clarification from Graham Sharp on how improvements for Best Value audit will input to the Code in order to meet the timeline agreed by the Board in March.

Caroline Gardner advised of the common interest in the development of a single Code of Audit Practice and acknowledged the Accounts Commission's work considering its duty of best value in new bodies. She noted that the current code had not fully met the Commission's expectations on best value as their approach had not been agreed in time. Caroline noted the need to align the two projects.

Graham Sharp advised members that the Best Value working group in considering how the mechanism will work over the next two months and considering cost implications. The Board noted that the consultation was due to be completed by end June 2020.

Heather Logan asked about the nature and context of the consultation and Graham Sharp explained that the consultation will explain to Councils and IJBs what is changing and seek their comments.

The Chair suggested that the Best Value consultation should form part of the draft Code consultation on the Board's agreed timeline. Robert Leask advised that from a procurement perspective the ITT could be structured to allow for options on Best Value to be supported by annualised guidance.

The Chair asked for assurance that clarity on the Accounts Commission's best value requirements would be achieved by the end of 2019 in order that consultation on the draft Code could proceed on the agreed timeline.

Graham Sharp agreed the suggestion to incorporate best value options into the draft Code consultation provided a possible mitigation of the risk identified but advised that he could not provide assurance yet as the work had not been completed but that he would advise the Best Value working group of the importance of the Code deadlines.

Alan Alexander restated his concern of this risk and Heather Logan concurred in light of the Code consultation concluding at the end of March 2020.

Caroline Gardner agreed the report highlighted the risks and the need for work to bring these projects into alignment given the Board's commitment to the programme for the new audit appointments.

The Chair reiterated the need to deliver to the timetable approved by the Board on 18 March 2019.

Heather Logan noted that with the proposed Best Value consultation concluding at the end of June 2020 there would be no time to rectify any discrepancies arising. Alan Alexander agreed advising that all substantive work on the Code required to be completed by 11 June 2010 to allow technical work on the tender documents and failing to meet that deadline would be an additional risk to the overall project.

The Chair invited members to confirm their agreement with the essential nature of the project timeline previously agreed on 18 March 2019. Each member confirmed their agreement.

The Chair sought assurance from Graham Sharp that the draft Code consultation would contain the Accounts Commission's options for Best Value audit.

Graham Sharp advised he has confidence in the Best Value working group to deliver what is required and agreed to reiterate the timeline.

The Chair welcomed the support from members.

*Robert Leask, Project Manager, Audit Quality and Appointments, left the meeting.*

## **25. Environment, sustainability and biodiversity annual report 2018/19**

*Ian Metcalfe, Corporate Governance Officer and Graeme Greenhill, Senior Audit Manager, Performance Audit and Best Value, joined the meeting.*

Graeme Greenhill introduced the Environment, sustainability and biodiversity annual report for 2018/19, copies of which had been previously circulated.

Graeme Greenhill invited the Board to consider the update on progress against carbon emissions and approve the annual report for publication.

The Board welcomed the achievement that Audit Scotland is on track to achieve better than target results and noted the future challenges ahead as part of the Scottish Government's Climate consultation with public bodies to set a target year where we achieve zero emissions.

Heather Logan asked who scrutinises reporting and Ian Metcalfe advised the report is submitted to the Sustainable Scotland Network portal who have previously commended Audit Scotland.

Following discussion, the Board welcomed the report and approved its publication.

*Ian Metcalfe, Corporate Governance Officer and Graeme Greenhill, Senior Audit Manager, Performance Audit and Best Value, left the meeting.*

## **26. Communication and engagement strategy**

*Simon Ebbett, Communications Manager, joined the meeting.*

Simon Ebbett introduced the Communication and engagement strategy report, a copy of which had been previously circulated.

Simon Ebbett invited the Board to consider progress with the project to review and update Audit Scotland's communication and engagement strategy and welcomed discussion on its findings and recommendations.

The Board considered the findings and agreed it would be worthwhile to set out Audit Scotland's authoritative and independent position more clearly, reflected on how we reach the right audiences whether they are service users or stakeholders and the method by which we engage and any associated costs.

Heather Logan highlighted the need to clearly state that this is Audit Scotland's strategy in supporting the Auditor General for Scotland and the Accounts Commission.

Following discussion, the Board welcomed the progress made in developing the future communication strategy for Audit Scotland.

*Simon Ebbett left the meeting.*

# Agenda



Wednesday 27 November 2019 at 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

---

1. Welcome and apologies
  2. Declarations of interests
  3. Decision on items to be taken in private For approval
- 

## Standing items

4. Chair's report – verbal update For information
  5. Accountable Officer's report – verbal update For information
  6. Accounts Commission Chair's report – verbal update For information
  7. Review of minutes: Board meeting 18 September 2019 For approval
  8. Review of minutes: Audit Committee – 4 September 2019 For information
  9. Review of action tracker For information
- 

## Business management

10. 2019/20 Q2 Financial performance report For information
  11. 2019/20 Q2 Corporate performance report For information
  12. 2019/20 Q2 Strategic improvement programme update For information
- 

## Strategy and planning

13. EU withdrawal – verbal update For information
- 

## Governance

14. Review of standing orders 2019 For information
- 

## Conclusion

- 15. Any other business
- 16. Review of meeting
- 17. Date of next meeting: 29 January 2020

---

### Items to be taken in private

- 18. 2020/21 SCPA Budget proposal For approval  
[Item to be taken in private to support the effective conduct of business, intended for future publication]
- 19. Audit quality framework review For approval  
[Item to be taken in private to support effective conduct of business, intended for publication]
- 20. New audit appointments update For discussion  
[Item to be taken in private to support effective conduct of business]
- 21. Board development update For discussion  
[Item to be taken in private to support effective conduct of business]



**MEETING: 12 DECEMBER 2019**

**REPORT BY: SECRETARY TO THE COMMISSION**

**UPDATE REPORT**

---

**Introduction**

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site, which provides more detailed news coverage in certain areas.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

**Commission business**

***Publications***

4. Audit Scotland collects [media coverage](#) on all the reports published by the Accounts Commission. Audit Scotland also provides a weekly summary of the [key media stories regarding local government](#). Both are available through Audit Scotland SharePoint, on the Accounts Commission Members' Extranet.
5. The download statistics of the reports published over the last 12 months (as at 28 November) are set out in **Appendix 1**.

***Other business***

6. The Commission previously requested further information on the Planning (Scotland) Bill once it received Royal Assent. The Planning (Scotland) Bill received Royal Assent in July 2019. The [Act](#) updates the Town and Country Planning (Scotland) Act 1997 and includes provisions affecting the preparation of development plans and the development of management procedures, as well as strengthening enforcement arrangements. The Scottish Government expects to implement most of the Act by 2021, in accordance with its [Transforming Planning in Practice - Post-Bill Work Programme](#). The Director of Performance Audit and Best Value has produced a summary note which has been included as **Appendix 2**.
7. On 7 November, representatives from all audit providers (Audit Scotland and audit firms) took part in a regular meeting to discuss matters in relation to the local government audit. At the meeting, which take place customarily every six months, there was discussion on various aspects of the audit including Best Value, financial reporting, shared risk assessment and overview reporting. Updates were provided by

the Controller of Audit and the Secretary to the Commission.

8. On 11 November Audit Scotland hosted – jointly with Healthcare Improvement Scotland and the Care Inspectorate - a ‘roundtable’ event on health and social care integration, to discuss with sponsor and policy leads from the Scottish Government the future of scrutiny in the context of health and social care integration. Audit Scotland’s Director of Performance Audit and Best Value gave a short update on the Commission’s intention to develop a Best Value audit approach for health and social care Integration Joint Boards (IJBs) . Audit Scotland plan to produce a summary of the key messages from this discussion.
9. On 18 November representatives of the Commission met with representatives of Scottish Borders Council to discuss the [Best Value Assurance Report](#) on the council which was published on 22 October. The Commission was represented by Graham Sharp, Sophie Flemig and Stephen Moore. Also present were Paul Reilly, Secretary to the Commission and Asif Haseeb, Senior Audit Manager, Audit Scotland. The Council was represented by councillors Shona Haslam, Council Leader (Conservative); Tom Weatherston, Executive Member for Adult Social Care (Conservative); Stuart Bell, Chair of the Audit and Scrutiny Committee (SNP); and Harry Scott, member of the Audit and Scrutiny Committee (Independent). Council officers present were: Tracey Logan, Chief Executive; David Robertson, Chief Financial Officer; Rob Dickson, Executive Director: Strategic Partnerships; Jenni Craig, Service Director: Customer and Communities; and Clair Hepburn, Service Director: HR, Transformation and Communication. The Council will consider the Best Value Assurance Report at its meeting on 19 December.
10. On 19 November a meeting of the Strategic Scrutiny Group was held. The Director of Performance Audit and Best Value will provide an update on strategic scrutiny at the next Commission meeting.
11. On 22 November Deputy Chair Elma Murray and Leigh Johnston, Senior Manager, Performance Audit and Best Value, Audit Scotland, attended a meeting of IJB chairs and vice-chairs. The meeting was a development day for participants, and Elma had been asked to provide an update on the Commission’s intention to develop a Best Value audit approach for IJBs.
12. On 4 December Elma Murray convened the inaugural meeting of the Community Wellbeing Advisory Group in Audit Scotland’s offices in West Port. Sophie Flemig and Christine Lester are also members of the group, which brings together stakeholders and professional interests to discuss community empowerment and thus allowing the Commission to consider how it will take forward its scrutiny and reporting responsibilities in this regard.

### **Auditor General for Scotland**

13. On 6 November the Auditor General for Scotland published a section 22 report <sup>1</sup> on the [2018-19 audit](#) of NHS Tayside alongside an [annual audit report](#) of the board. The purpose of the report is to draw Parliament’s attention to the scale of the challenge NHS Tayside continues to face in meeting its financial and performance targets, and to provide an update on progress with addressing these pressures.
14. On 6 November the Auditor General for Scotland published a section 22 report on the

---

<sup>1</sup> The Auditor General for Scotland reports to the Scottish Parliament’s Public Audit and Post-legislative Scrutiny Committee under Section 22 of the Public Finance and Accountability Act on the accounts of Scotland’s public bodies (excluding local government).

[2018-19 audit](#) of NHS Highland and an [annual audit report](#) were also published. The purpose of this report is to draw Parliament's attention to NHS Highland's continued difficulty in meeting its financial targets and reaching a financially sustainable position. The report also sets out the organisational and governance problems that NHS Highland has faced in 2018/19, including leadership changes and the issues set out in the Sturrock Report.<sup>2</sup> The steps that NHS Highland is taking to address these challenges are also outlined in the report.

## **Audit Scotland**

15. On 26 November Audit Scotland [published](#) its Environment, Sustainability and Biodiversity annual report 2018/19. This report details Audit Scotland's progress in reducing carbon emissions and managing climate change activity.
16. On 28 November Professor Alan Alexander was appointed as the new chair of Audit Scotland. Professor Alexander will take over from current chair Ian Leitch from April 2020.

## **Issues affecting local government**

### ***Scottish Government***

17. On 5 November the Scottish Government [published](#) a report conducted by the Expert Advisory Group on Migration and Population on the lessons Scotland can learn from Australia, Canada and Europe. The report suggested that immigration schemes could be an "immediate and direct" way to tackle depopulation in Scotland. The research highlights the regional variations of immigration policy, along with the tailored approaches to each country's specific challenges. Regarding Scotland, the report warns the country could experience a significant fall in the working age population if immigration declines. The ageing population will also put a strain on the social security, health and social care sectors due to an increased demand for services.
18. On 5 November the Scottish Government [launched](#) a consultation on the replacement for European Structural Funds. The current £780 million funding programme has invested in key areas such as modern apprenticeship schemes and the Low Carbon Infrastructure Transition Programme, but projects in Scotland will no longer be eligible if Brexit takes place. The UK Government has committed to introducing the UK Shared Prosperity Fund as a successor scheme, but the Scottish Government has claimed there has not yet been sufficient detail announced on how this will operate. It is not intended to respond to this consultation.
19. On 5 November the Scottish Government [awarded](#) £3 million from its Decarbonisation Fund to 11 social landlords to help improve the energy efficiency of 900 socially rented properties. This fund will help to install a range of energy efficiency measures to properties across Scotland.
20. On 6 November the Scottish Government [published](#) the final report of the Evaluation of the Children, Young People and Families Early Intervention and Adult Learning and Empowering Communities Fund. The report concluded that the number and variety of outcomes hindered evaluation of the overall impact of the Fund and recommends a more "proportionate and streamlined" monitoring regime for the future. Variations in how the role of Policy Officer was fulfilled were also raised as a concern. A [summary](#) of the research findings has been published alongside the final report.

---

<sup>2</sup> [Cultural issues relating to allegations of bullying and harassment in NHS Highland: independent review report](#)

21. On 6 November the Scottish Government [announced](#) a £60 million funding commitment to the Michelin Dundee site to “*transform the site*” into the Michelin Scotland Innovation Parc (MSIP). The investment was supported by Michelin, Scottish Enterprise and Dundee City Council. The Parc will support innovation and skills and focus on sustainable mobility, clean transport and low carbon energy.
22. On 6 November the Scottish Government [published](#) guidance on conduct for Scottish Government civil servants relating to the UK general election.
23. On 7 November Fergus Ewing MSP introduced the [Agriculture \(Retained EU Law and Data\) Bill](#) to Parliament. The Bill, if passed, would allow for the Scottish Parliament to confer powers to modify certain retained EU law relating to agriculture, including power to make new provisions about marketing standards in relation to agricultural products and the classification of carcasses; to make provision about the collection and processing of information connected with food supply chains and agricultural activities and for connected purposes. A [Policy Memorandum](#), [Explanatory Notes](#), [Statements on Legislative Competence](#) and a [Financial Memorandum](#) have also been published.
24. On 8 November the Scottish Government [announced](#) that new standards for the quality of temporary accommodation have been introduced. They stipulate that local authorities will need to provide safe, warm and high-quality accommodation while a permanent home is found. Additionally, the removal of the current duty requirement on councils to assess whether a household became homeless has come into force. The changes form part of a wider update to the [Homeless Code of Guidance](#) intended to help local authorities in their duties to assist people who are at risk of or are experiencing homelessness.
25. On 12 November the [Rural Tourism Infrastructure Fund](#), which is administered by VisitScotland, started to accept application for a share of £3 million funding. Thirty one projects across ten local authorities and two national parks were offered grants worth nearly £6 million in the previous two funding rounds.
26. On 15 November the Scottish Government [released](#) the teacher vacancy survey for 2016 to 2019. The survey was jointly undertaken by COSLA and the Scottish Government. The advertised vacancies for permanent primary teacher roles dropped by over 50%, while local authorities advertised for 224 fewer permanent teacher vacancies for primary and secondary schools. Secondary teacher vacancies decreased from 402 to 294. The Commission’s joint work programme includes a briefing paper by Audit Scotland, jointly for the Commission and Auditor General, on teacher workforce planning, due by December 2020.
27. On 15 Derek Mackay MSP, Cabinet Secretary for Finance, Economy and Fair Work, [confirmed](#) that due to the upcoming UK general election and the cancellation of the UK Government’s Budget, the Scottish Budget 2020-21 will not be published until after Christmas. A new date will be agreed with the Finance and Constitution Committee. The Accounts Commission is due to receive its customary briefing from Audit Scotland on the Scottish Budget at its January meeting. This is likely to be postponed to February.
28. On 19 November the Scottish Government [published](#) an equalities breakdown of homelessness in Scotland. The [bulletin](#) found during 2018-19 45% of homelessness applications came from single male households, with 76% of those applicants of White Scottish ethnicity. From 2008-09 to 2018-19 there has been a 57% reduction in homelessness applications from under 25s and a 68% decrease from 16-17-year-olds, compared to an overall reduction of 37%. The most common reason for female applicants was due to a violent or abusive dispute within a household, accounting for

22% of all applications.

29. On 21 November Deputy First Minister John Swinney announced the United Nations Convention on the Rights of the Child (UNCRC) will be incorporated into law to the “maximum extent” within the powers of the Scottish Parliament. A Bill will be laid before Parliament next year to incorporate the rights included in the Charter. The Bill will allow for the incorporation of the provisions currently beyond the powers of the Scottish Parliament, should these powers change. The Scottish Government has [published](#) an analysis of the responses it received to its consultation on the UNCRC which have informed its approach. The Government has also [published](#) a progress report about its work on the human rights of children in Scotland action plan 2018-21.
30. On 22 November the Scottish Government [published](#) a report about its consultation on [parole reform](#). Based on the responses, the Scottish Government will now consider ways to make more use of electronic tagging and GPS monitoring to ensure offenders comply with licence conditions. Respondents to the consultation favoured more involvement for victims in the parole process, better access to information for prisoners, improved information sharing between all parties, making the Parole Board more independent, and introducing a new review and appeal process. There are also plans to amend Parole Board rules so that an offender’s failure to disclose the location of a victim’s body will be one of the factors considered when a decision on parole is being made.
31. On 27 November the Scottish Government [published](#) the second progress report on the Mental Health Strategy 2017-27. The Government notes that 19 of the 40 actions in the strategy have been completed or are near completion, while the remainder are still in progress or are not yet underway. The Government claims that 68 additional Whole Time Equivalent mental health workers have been employed as of July 2019 while also noting that an additional £4 million has been invested to recruit 80 CAMHS staff across Scotland. There are also specific sections in the report which contain information on the Government’s work to improve infant, child and adult mental health care. The report notes Audit Scotland is a member of the Sharing Intelligence for Health and Care Group. The Commission currently has a performance audit on mental health, jointly with the Auditor General, scheduled in its work programme for 2022/23.

### ***Scottish Parliament***

#### *General*

32. On 6 November Scottish Labour’s David Stewart MSP was [elected](#) to the Scottish Parliamentary Corporate Body. He replaces Rhoda Grant.
33. On 7 November the Scottish Parliament Information Centre (SPICe) [published](#) a briefing on the development and impact of homelessness policy in Scotland. It explains that homelessness has increased for the second consecutive year after eight years of decline, which is partially attributed to legislative change which has enhanced the rights of homeless persons. Other factors affecting homelessness include the use of temporary accommodation and welfare reform legislation, such as changes to the way Local Housing Allowance is calculated and the introduction of Universal Credit.
34. On 7 November a majority of MSPs voted to pass the Referendums Bill at Stage 1.
35. On 14 November SPICe [published](#) a briefing about Scotland’s prison population to October 2019.
36. On 19 November SPICe [published](#) a briefing on the Agriculture (Retained EU Law and



Data) (Scotland) Bill.

37. On 21 November SPICe [published](#) a briefing comparing the resolution of parenting disputes in Scotland and other countries.
38. On 27 November the Cabinet Secretary for Health, Jeane Freeman MSP, introduced the [Forensic Medical Services \(Victims of Sexual Offences\) Bill](#) to Parliament. The Bill, if passed, would allow the Scottish Parliament to confer functions on health boards for the provision of forensic medical services to victims of sexual offences and for connected purposes. A [Policy Memorandum](#), [Explanatory Notes](#), [Financial Memorandum](#) and [Statements on Legislative Competence](#) have also been published.

#### *Local Government and Communities Committee*

39. On 6 November the Committee took evidence from the Electoral Reform Society and the Local Government Boundary Commission for Scotland on the Scottish Elections (Reform) Bill.
40. On 11 November the Committee [published](#) a report on empty homes in Scotland. While describing the council tax levy on empty homes as a “*useful and necessary tool*”, members felt some councils were using it to an extent which was exacerbating the problem. Citing the low take-up of Compulsory Purchase Orders, the Committee also called for the introduction of Compulsory Sales Orders as a complementary power for local authorities to help tackle the problem.
41. On 13 November took evidence on the Scottish Housing Regulator’s [‘Annual Performance Report and Accounts 2018/19’](#).
42. On 18 November the Committee [launched](#) a call for views on how to achieve community wellbeing. The Committee will seek views on the financial impact of poverty and the extent to which councils and organisations are advancing community wellbeing. I will report to the next meeting on how the Commission will respond to this consultation.
43. On 20 November the Committee:
  - Took evidence from Aileen Campbell, Cabinet Secretary for Communities and Local Government, and Kate Forbes, Minister for Public Finance and Digital Economy as part of its pre-budget scrutiny.
  - Took evidence from a range of stakeholders on building regulations and fire safety in Scotland.

#### *Public Audit and Post Legislative Scrutiny Committee*

44. On 30 November the Committee held a roundtable evidence session with a range of stakeholders on the Auditor General’s section 22 report, ‘The 2018/19 audit of the Scottish Prison Service’.
45. On 7 November the Committee:
  - Took evidence from stakeholders as part of its post-legislative scrutiny of the Freedom of Information (Scotland) Act 2002.
  - Took evidence from Caroline Gardner, the Auditor General for Scotland; Leigh Johnston, Senior Manager, and Fiona Watson, Audit Manager, Performance

and Best Value on the Section 23 report <sup>3</sup>, 'NHS in Scotland 2019.'

46. On 14 November the Committee took evidence on the section 22 reports, 'The 2018/19 audit of NHS Highland' and 'The 2018/19 audit of NHS Tayside' from Caroline Gardner, Auditor General for Scotland; Fiona Mitchell-Knight, Audit Director, Audit Scotland; Bruce Crosbie, Senior Audit Manager, Audit Scotland; Leigh Johnston, Senior Manager, Audit Scotland; and Joanne Brown, Partner at Grant Thornton UK LLP.
47. On 21 November the Committee took evidence from a range of stakeholders on the section 22 report, 'The 2018/19 audit of the Scottish Prison Service'.

#### *Finance and Constitution Committee*

48. On 12 November the Committee [published](#) its pre-budget scrutiny 2020-21 report. The Committee found potential "*structural issues*" and the risk of "*unintended consequences*" within the Fiscal Framework. The Auditor General's report on Scotland's new financial powers [Operation of the Fiscal Framework 2018-19](#) is cited several times. The Auditor General's report on the [2018-19 audit of the Scottish Government's consolidated accounts](#) is also referred to.
49. On 19 November the Committee published a [response](#) from Ivan McKee MSP, Minister for Trade, Investment and Innovation on the Committee's report on funding of EU Structural Fund Priorities in Scotland, post-Brexit. A [letter](#) on the 'pre-suspension' of the European Social Fund has also been published.

#### *Other committees*

50. On 6 November the Economy, Energy and Fair Work Committee [published](#) its budget scrutiny report on Regional Selective Assistance (RSA) . The Committee found that between April 2009 and May 2019 over £337 million was offered to Scottish businesses, helping generate more than 20,000 jobs across Scotland. However, it was noted the central belt dominated the allocation of funding, with areas such as the Highlands not receiving any RSA grants in the last three years. Stakeholders provided evidence of the positive impact of RSA on the Scottish economy in terms of its contribution to the modernisation and expansion of workplaces and economies, in addition to its benefit to businesses as the only public sector award aimed at capital expenditure.
51. On 7 November the Equalities and Human Rights Committee [published](#) its report on the draft budget for 2020-21. The Committee recommends that the Scottish Government increase its funding support for the third sector. The report also calls for all public bodies to consider innovative measures to help fund the sector. Members heard that reduced and short-term funding has led to job insecurity, loss of talent and cuts to essential services. Though the move to a three-year funding model was welcomed, the Committee suggests more could be done to ensure more people benefit from services provided by charities. While acknowledging the budget pressures faced by public bodies and councils, the report asks the Scottish Government to urgently review the funding provided to the sector in partnership with local government. Oral evidence provided by Audit Scotland is cited and Audit Scotland's audit of Glasgow City Council is referred to. The findings of progress reports on self-directed

---

<sup>3</sup> The Auditor General for Scotland may initiate examinations under Section 23 of the Public Finance and Accountability Act into the economy, efficiency and effectiveness with which Scotland's public bodies (excluding local government)) have used their resources in discharging their functions, and may publish conclusions and report accordingly to the Public Audit and Post-legislative Scrutiny Committee.

support and health and social care integration are also discussed.

52. On 11 November the Economy, Energy and Fair Work Committee [launched](#) an Energy Inquiry. As part of the inquiry, the Committee will seek views on the Scottish Government's role in powering and increasing the use of electric vehicles (EVs). Submissions are encouraged to consider the impact on electricity generation and distribution, whether battery and grid technologies are being adequately supported, and what more needs to be done to promote EVs as an alternative to fossil fuelled vehicles. In light of the Scottish Government's consultation on local energy systems, the Committee also seeks submissions on the achievability of the 2020 and 2030 community and locally owned energy targets, the role of District Network Operators in connecting community and locally owned projects, and what role decentralised energy systems can play in supporting a transition to net-zero by 2045.
53. On 15 November the Education and Skills Committee [considered](#) its work programme. The Committee agreed to hold an inquiry on initial teacher education. Scrutiny of the planned provision of additional counsellors in school was also agreed. Members agreed to write to stakeholders in relation to 'political literacy'. The Committee also agreed to write to the Scottish Qualifications Authority about its performance and role.
54. On 16 November the Education and Skills Committee [published](#) its report on science, technology, engineering and mathematics (STEM) in early years education. The report [found](#) that while a range of positive work was being done across the country, disadvantages as a result of unconscious bias, resource issues and rurality needed to be addressed to improve learning experiences. The Committee also called for measures to be introduced which will increase teacher confidence and improve internet connectivity in schools.
55. On 26 November the Justice Committee [published](#) a report about secure care and prison places for children and young people. The report follows an inquiry into the capacity and structure of secure places. The facilities and services at HMP YOI Polmont were also scrutinised following the deaths of William Brown and Katie Allan. Members welcomed the decision to have HM Inspectorate of Prisons for Scotland investigate such deaths in custody and offered their support for the work taking place as part of the Independent Care Review. They remained concerned, however, about the provision of secure care services, particularly in relation to mental health. The Committee argued the justice system should provide the "best possible" care to meet the needs of young people if it decided to take away their liberty. Recommendations included assessing young people within the first days of entering secure care or a young offenders' institution and giving young people the option to stay in secure care beyond their 18<sup>th</sup> birthday if that was in their best interests.

### ***Scottish Public Policy News***

56. On 5 November the Scottish Greens [published](#) a report which calls for the establishment of a just transition fund to retrain and reskill for the transition to a zero-carbon economy. The report, compiled by the New Economics Foundation, examines the potential economic and employment benefits of a zero-carbon economy for the labour market and society.
57. On 6 November Statistics on the number of full-time equivalent police officers employed by Police Scotland were [published](#). There were 17,256 full-time equivalent police officers in Scotland on 30 September 2019. This represents a 0.02% decrease from the last quarter. Since 2018, there has been a 0.6% increase in the number of full-time equivalent officers in Scotland.



58. On 6 November it was announced that Grahame Smith would retire as general secretary of the Scottish Trades Union Congress (STUC) in May 2020.
59. On 12 November the Fraser of Allander Institute [published](#) its annual Scottish budget report. The report highlighted the changes to the Scottish resource block grant, which had been on course to fall by 3% but had recovered due to an increase in UK Government spending. Regarding tax measures, the report addressed the growing divergence between UK and Scottish tax policy and warned that a weaker tax base had impacted the Scottish Government's ability to raise revenue from income tax. Scottish Government spending on health, enterprise and the police have been protected, while there were cuts to universities, local government and other areas of the justice portfolio. On the future budget, the report warned short-term uncertainty would impact future budgets and suggested a wellbeing approach to the budget to "refocus priorities". The report also pointed out that the Fiscal Framework is due to be renegotiated in 2022 and this would have a significant impact in Scotland, as well as the continued lack of clarity on what would replace funds coming from the European Union.
60. On 15 November it was [announced](#) that Willie Watt had been appointed as the first chair of the board of the Scottish National Investment Bank.
61. On 18 November the Federation of Small Businesses (FSB) [published](#) its Scottish manifesto for the upcoming general election. It calls for immigration reform which reflects the needs of Scotland, improvements to the Scottish mobile network, and policies to address the issues faced by small town high streets. It highlights the FSB's research on the importance of EU workers to small businesses and the number of high street shop closures since 2016. The manifesto also calls for new funding for Scottish towns and high streets through the UK Towns Fund.
62. On 19 November Dr David Signorini was [announced](#) as the new chief executive of Scottish Forestry.
63. On 20 November the Liberal Democrats [published](#) their manifesto for the UK general election.
64. On 21 November the Labour Party [published](#) their manifesto for the UK general election.
65. On 22 November the Scottish Labour Party [published](#) their manifesto for the UK general election.
66. On 25 November Citizens Advice Scotland [submitted](#) a response to Ofcom's consultation on proposed guidance on the treatment of vulnerable consumers. Their response recommended that people living in rural areas should be treated as vulnerable by phone, broadband and pay-tv providers.
67. On 24 November the Conservative and Unionist Party [published](#) their manifesto for the UK general election.
68. On 25 November the Scottish Greens [published](#) their manifesto for the UK general election.
69. On 26 November the Scottish Conservatives [published](#) their manifesto for the UK general election.
70. On 27 November the SNP [published](#) their manifesto for the UK general election.

71. On 27 November Sir Anton Muscatelli, [published](#) his report on Driving Innovation in Scotland. The report – commissioned by the Scottish Government – sets out the existing strengths of the higher education sector in Scotland and the actions required to “*reimagine the country’s proud industrial legacy for the 21st century*”. In the report, he calls for Scottish universities to have a “*shared national mission*” and urges them to collaborate more to make Scotland’s economy one of the most innovative in the world. The report also recommends public funding to be directed towards areas of study that have the best chance of securing additional outside funding and proposes that Holyrood should have a degree of control over immigration policy.

### **COSLA**

72. On 26 November it was [announced](#) that COSLA had reached an agreement with the Scottish Government to provide professional counselling services to all secondary school pupils by September 2020.

### **Improvement Service**

73. On 10 November the Improvement Service [published](#) the findings of its annual stakeholder survey. The Improvement Service carries out the annual survey to assess and report the extent to which councils and partnerships find our support valuable. The Chief Executive of the Improvement Service, Sarah Gadsden, will be speaking to the Commission at its January meeting.
74. On 11 November partners involved in exploring the feasibility of citizens basic income (CBI) pilots in Scotland – the Improvement Service, NHS Health Scotland, and Fife, Edinburgh, Glasgow and North Ayrshire councils - [published](#) an interim report into their findings.
75. On 25 November the Improvement Service, COSLA and NHS Health Scotland held a national conference with support from the Public Health Reform team and the National Violence Against Women Network to highlight why [violence against women \(VAW\) is a public health issue](#).

### **Other Scottish local government news**

76. On 14 November UNISON [released](#) their ‘Save from Harm’ report. The report found that 9 out of 10 social workers are considering leaving their jobs.
77. On 26 November it was [announced](#) that Pippa Milne was appointed as the new chief executive of Argyll and Bute Council. Ms Milne is currently serving as the council’s executive director for development and infrastructure services. She will replace the current chief executive, Cleland Sneddon, on 19 December.

### **By-election results**

78. On 7 November independent candidate Stephen Flaws was [elected](#) to serve as a councillor in Ward Lerwick South, of Shetland Council, following a by-election. The by-election in Lerwick South was triggered by Beatrice Wishart’s resignation after the Liberal Democrat succeeded in gaining a seat at Holyrood.
79. On 7 November independent candidate Moraig Lyall was [elected](#) to serve as a councillor in Ward Shetland Central, of Shetland Council, following a by-election. The by-election came after Mark Burgess decided to stand down for personal reasons.
80. On 14 November SNP candidate Emma Roddick was [elected](#) to serve as a councillor

in Ward Highland Central, of Highland Council, following a by-election. The by-election was called following the resignation of SNP councillor, Richard Laird.

81. On 14 November SNP candidate Derek Glen was [elected](#) to serve as a councillor in Dunfermline Central, of Fife Council, following a by-election. The by-election came after Conservative councillor Alan Craig decided to stand down.
82. On 14 November SNP candidate Sharon Green Wilson was [elected](#) to serve as a councillor in Rosyth, of Fife Council, following a by-election. The by-election came after Sam Steele of the SNP decided to stand down for health reasons.
83. On 21 November Scottish Conservative and Unionist candidate Laura Powell was [elected](#) to serve as a councillor in Ward Keith and Cullen, of Moray Council, following a by-election. This by-election was called after the resignation of independent councillor, Ron Shepherd.
84. On 21 November SNP candidate Audrey Nicholl was [elected](#) to serve as a councillor in Ward Tory and Ferryhill, of Aberdeen City Council, following a by-election. This by-election was called after the resignation of SNP councillor, Catriona Mackenzie.

### **Scrutiny, inspection, regulatory and related bodies**

#### ***Scottish Public Sector Ombudsman (SPSO)***

85. The [SPSO's Newsletter - November](#) outlines investigation reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed investigations and decision reports, is available on the [Our findings](#) webpage. The Commission's Financial Audit and Assurance Committee will consider more detailed intelligence from the SPSO on a six-monthly basis (next at its September meeting).

#### ***Standards Commission for Scotland***

86. On 6 November [Councillor James Fullarton](#) who serves on Scottish Borders Council was found not to have breached the Councillor's Code of Conduct by the Standards Commission at a public hearing held in Melrose. The case related to allegations he had behaved in a disruptive and disrespectful manner at a meeting of Eyemouth Community Council.
87. On 20 November [Councillor Frank Anderson](#) who serves on West Lothian Council was sanctioned by the Standards Commission at a public hearing held in Livingston. The case related to complaints that were submitted about Councillor Anderson's sharing on social media, and subsequently defending in a national newspaper, an antisemitic article from a third-party blog. Councillor Anderson has been suspended from attending all council meetings for a period of three months.

#### ***Care Inspectorate***

88. On 7 November the Care Inspectorate [opened](#) their consultation on the draft quality framework for early learning and childcare services. The consultation will close on 6 December.

#### ***Her Majesty's Chief Inspector of Constabulary Scotland (HMICS)***

89. On 12 November the HMICS [launched](#) their consultation for their Scrutiny Plan 2020-2021. The consultation will close on the 17 January.

### **Scottish Housing Regulator**

90. On 7 November the Scottish Housing Regulator [published](#) the first annual assurance statements submitted by social landlords. The Regulator requires all RSLs and local authorities to submit an annual assurance statement by 31 October each year to confirm that they meet regulatory requirements or to set out which of the requirements they do not comply with.
91. On 26 November the Scottish Housing Regulator [published](#) 'How We Regulate: A guide for tenants and service users'. The guide has been written to help people find out more about the Regulator's work. The guide also explains how tenants can find out about their landlord, what they can expect from it, and how they can make a complaint.

### **UK Parliament**

#### **General**

92. On 4 November Sir Lindsay Hoyle was [elected](#) as the next Speaker of the House of Commons.
93. On 6 November the House of Commons [dissolved](#), formally beginning the general election campaign.

#### **Scottish Affairs Committee**

94. On 4 November the Scottish Affairs Committee [published](#) their 'Problem drug use in Scotland' report. The report called for the decriminalisation of drugs "for personal use". The Committee heard criminalisation of drug use was "counterproductive" in a long-running inquiry. The Committee also recommended the Department for Health & Social Care take over responsibility for drugs policy from the Home Office. The Committee also called on the Scottish Government to "ensure health services in Scotland are properly funded" and said cuts to Alcohol and Drug Partnerships had "made the situation worse".

### **Other UK Audit Bodies**

#### *National Audit Office*

95. On 6 November the National Audit Office published departmental overviews of the [Department for International Development](#) and the [BBC](#).

#### *Wales Audit Office*

96. On 21 November the Auditor General for Wales [published](#) a report on the implementation of the Violence against Women, Domestic Abuse and Sexual Violence Act.

#### *Northern Ireland Audit Office*

97. On 15 November the Northern Ireland Audit Office [published](#) a report on the 2018-19 accounts of the Northern Ireland Housing Executive.

### **Other general – UK**

98. The latest edition of the Institute for Government and CIPFA's [Performance Tracker](#), published on 11 November, finds that for the first time in years, the government may

have pledged enough money to maintain standards in most public services. But more money will be needed to raise standards over the next five years. In adult social care, the service facing the most pressure, any government would have to spend nearly £1 billion more just to keep pace with demand. *Performance Tracker 2019* projects the demand and spending on nine public services for the next five years: GPs, hospitals, adult social care, children's social care, neighbourhood services, police, prisons, courts, and schools. The report's authors express serious concerns about rising prison violence and about the scope of local government services despite cash injections from the two most recent Conservative governments.

99. On 22 November the Office for Budgetary Responsibility [published](#) a report on public sector finances. It showed that borrowing in October was £4.3bn higher than at the same point last year. Public sector net borrowing was estimated at £11.2bn in October, £2.3bn higher than last year. The report found that central government spending rose 3.5% in October and 4.1% for the year to date, while net debt was 1.1% of GDP lower than at the same point last year. It noted that ONS revisions significantly lowered estimated borrowing in the first half of 2019-20, from last month's estimate of £40.3bn to £35.1bn in the latest data.
100. On 20 November the Economics Foundation [published](#) a report on social homes, highlighting issues with the lack of social housing. The report proposes that public land should be ring-fenced for the provision of social housing where appropriate and suggests a Public Land and Housing Corporation as a potential vehicle to coordinate land and delivery. The remit of this body would be to assemble a pipeline of land, beginning with central government public land and then also acquiring private land, to accelerate the building of the next generation of social housing.
101. On 26 November PwC [published](#) a report '*UK Economic Outlook*' which examines UK regional productivity, revealing wide variations in domestic productivity per job, as well as from an international perspective. PwC concludes that UK output per worker is around 10-15% behind Germany, France and Sweden and more than 30% behind the US. The report suggests that UK GDP could be boosted by 4% - or £83 billion - if local areas with below-average productivity levels could make up half of the gap.
102. On 28 November MEPs [approved](#) the new European Commission. The European Commission will be led by Ursula von der Leyen. Ms Von der Leyen, who is the European Commission's first ever female president, will take office with her team of commissioners on 1 December, formally kicking off their 2019-2024 programme.
103. [A survey](#) commissioned by the Association for Public Sector Excellence, published on 5 December, has found that nine times as many respondents trusted councils to provide local services over the government, which represents an increase from the 2018 when just five times as many favoured local government. It also found that the majority of respondents think not enough money raised from taxes is spent locally. The poll indicates that the public value local services with parks services ranking the highest with a satisfaction score of 7.1 ( out of 10) followed closely by school meals (6.7), street lighting (6.6) and refuse collection and leisure services ( both at 6.5 ) However the public are increasingly dissatisfied with the lack of affordable housing, scoring the lowest ranking at 4.3 coming below general road maintenance at 4.6.
104. [CIPFA](#) has reported on 6 December that libraries in Britain have become more reliant on volunteers and staff numbers have dropped substantially with funding reduced by nearly a third over the last decade. Spending on libraries fell by 29.6% from £1,057.4m in 2009-10 to £744.8m in 2018-19. Since 2014-15 the total number of paid staff has dropped by 15.1% - from 18,028 to 15,300 – while the number of volunteers has

increased by 24.3% - from 41,402 to 51,478. CIPFA found a slight increase in library spending between 2017-18 and 2018-19, which it said “suggests things could be changing for libraries”. Spending grew from £741.4m in 2017-18 to £744.8m in 2018-19 showing a rise of 0.4%, despite 7 million fewer library visits over the same period.

## **Conclusion**

105. The Commission is invited to consider and note this report, and in particular note, in relation to paragraph 42, that I will report to the next meeting on how the Commission will respond to the call for view by the Scottish Parliament’s Local Government and Communities Committee on how to achieve community wellbeing.

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**6 December 2019**

## **APPENDIX 1: Accounts Commission reports in past 12 months - downloads**

<b>Report</b>	<b>Date</b>	<b>Report downloads</b>	<b>Podcast downlds</b>
<a href="#">Scottish Borders Council: Best Value Assurance Report</a>	22 Oct 19	482 (+149)	36
<a href="#">National Scrutiny Plan</a>	30 Sept 19	385 (+90)	n/a
<a href="#">Perth and Kinross Council: Best Value Assurance Report</a>	22 Aug 19	818 (+84)	34
<a href="#">Principles of community empowerment</a>	25 July 19	4,145 (+457)	n/a
<a href="#">Midlothian Council: Best Value Assurance Report</a>	4 July 19	1,180 (+61)	53
<a href="#">Clackmannanshire Council: Best Value Assurance Report progress report</a>	27 June 19	635 (+199)	64
<a href="#">Accounts Commission annual report 2018/19</a>	31 May 19	303 (*)	n/a
<a href="#">Accounts Commission Engagement strategy and plan 2019-24</a>	31 May 19	206 (*)	n/a
<a href="#">Accounts Commission Strategy and annual action plan 2019-24</a>	31 May 19	238 (*)	n/a
<a href="#">Accounts Commission Engagement plan progress report 2018/19</a>	31 May 19	91 (*)	n/a
<a href="#">North Lanarkshire Council: Best Value Assurance Report</a>	23 May 19	893 (+111)	57
<a href="#">Stirling Council: BV Assurance Rprt</a>	25 Apr 19	985 (+47)	78
<a href="#">How council work: Safeguarding public money</a>	11 Apr 19	1,670 (+123)	n/a
<a href="#">South Lanarkshire Council: BV Assurance Rpt</a>	28 Mar 19	1,358 (+128)	63
<a href="#">Local government in Scotland: Challenges and performance 2019</a>	21 Mar 19	4,173 (+413)	177
<a href="#">Local government in Scotland: Challenges and performance 2019 - Supplement</a>	21 Mar 19	449 (*)	n/a
<a href="#">Social Work in Scotland – Impact report</a>	5 Dec 18	1,342 (+61)	n/a
<a href="#">Local government in Scotland – Financial overview 2017/18</a>	28 Nov 18	3,690 (+147)	305 (*)
<a href="#">Local government in Scotland – Financial overview 2017/18 - Supplement</a>	28 Nov 18	344 (*)	n/a
<a href="#">Dumfries &amp; Galloway Council BV Assurance Rpt</a>	22 Nov 18	1,547 (+35)	305 (*)
<a href="#">Health and social care integration: update on progress</a>	15 Nov 18	13,840 (+643)	284 (<30)
<a href="#">East Lothian Council Best Value Assurance Report</a>	1 Nov 18	1,536 (+28)	240 (n/a)

### **Key:**

- (x) Increase in numbers since last month
- \* This figure is below 30
- n/a Not applicable.



## **APPENDIX 2: Planning Act summary note for Accounts Commission – November 2019**

The Planning (Scotland) Bill receiving Royal Assent in July 2019. The [Act](#) updates the Town and Country Planning (Scotland) Act 1997 and includes provisions affecting the preparation of development plans and the development of management procedures, as well as strengthening enforcement arrangements.

The Planning Bill was heavily amended (380 amendments) through stages 2 and 3. The Bill completed stage 3 on 20<sup>th</sup> June 2019 and received Royal Assent and passed into law on 24<sup>th</sup> July.

The intention of the Act is to strengthen the planning system's contribution to inclusive growth and empowering communities.

The main provisions are:

- Reorganisation of the system of development plans – removing strategic development plans, adding new regional spatial strategies, and introducing the right for people to prepare local place plans - giving more powers for communities
- Simplified development zones which grant planning permission for specified types of development
- Introduction of an Infrastructure Levy to help fund infrastructure projects – how this will operate or sit alongside or replace s75 contributions is not yet clear
- Creation of the role of Chief Planning Officer for each council and a new national Planning Improvement Co-Ordinator
- Provision for specialist planning training for elected members sitting on planning committees

The rejected elements included:

- The right for communities to appeal planning decisions through third party right of appeal was rejected at stage 3
- Creation of a Land Value Capture system to allow councils to use the increase value of land that comes through planning permission for the benefit of the community was also removed from the final Bill

Despite aiming to streamline the planning process, it is now expected to increase workloads for planning services without any additional resources.

Many parts of the Act will be implemented by Scottish Ministers making regulations or issuing guidance. The Scottish Government expects to implement most of the Act by 2021, in accordance with its [Transforming Planning in Practice - Post-Bill Work Programme](#).