

Minutes of the meeting of the Accounts
Commission held in the Offices of Audit
Scotland, 110 George Street, Edinburgh
on Wednesday 13 December 2006 at
10.30 am

PRESENT: A MacNish (Chair)
A Alexander
J Baillie
O Clarke
A Faulds
K Geddes
A Leslie
I Low
M Raj
I Robertson

IN ATTENDANCE: C Gardner, Deputy Auditor General and Controller of Audit
D Pia, Director of Public Reporting (Local Government)
F Kordiak, Acting Director of Audit Services (Local Government)
G Neill, Best Value Manager (item 11)
A Clarke, Assistant Director of Public Reporting (item 14)
R Frith, Director of Audit Strategy (item 15)
W F Magee, Secretary

| <u>Item No</u> | <u>Subject</u> |
|----------------|--|
| 1. | Apologies |
| 2. | Minutes |
| 3. | Disability Equality Scheme |
| 4. | Audit of Police Services |
| 5. | Best Value Audit of West Dunbartonshire Council |
| 6. | Chair's Introduction |
| 7. | Deputy Auditor General |
| 8. | Financial Audit and Assurance Committee |
| 9. | Performance Audit Committee |
| 10. | Proposed Study Programme for Audit Scotland 2007/8 |
| 11. | Shetland Islands Council Best Value Follow-up Report |
| 12. | Best Value Audit of Comhairle nan Eilean Siar |
| 13. | Best Value Audit of East Ayrshire Council |
| 14. | Independent Review of Regulation, Audit, Inspection and Complaint Handling |
| 15. | Audit Charges 2006/7 Audits – Revised Position |

1. Apologies

Apologies for absence were intimated on behalf of Jean Couper. The Commission members agreed to send her their best wishes for a speedy recovery from her recent accident.

2. Minutes

The minutes of meeting of 8 November 2006 were submitted and approved subject to the reference to Holyrood Magazine being altered to Public Finance Magazine.

3. Disability Equality Scheme

With reference to paragraph 11 of the minutes of meeting of 8 November 2006 the Commission noted that the Disability Equality Scheme 2006/2009 for the Commission was approved by the Chair in consultation with the Director of Corporate Services so that it came into effect by the required date of 4 December 2006. Copies of the scheme were available to Commission members.

4. Audit of Police Services

Arising from paragraph 6 of the minutes of meeting of 8 November 2006 the Commission was advised that further discussions will be held between the Auditor General and the Chair of the Commission to progress the agreed actions in relation to the Best Value audit of police services. The Commission noted the position.

5. Best Value Audit of West Dunbartonshire Council

The Chair referred to the recent hearing held in respect of the Best Value audit report on West Dunbartonshire Council and thanked the Commission members involved and the officers of Audit Scotland for their support and assistance during the process.

6. Chair's Introduction

The Chair referred to a number of matters of current interest including –

- Progress in the selection process for membership of the Commission
- The visit to the Accounts Commission by Mr Tom McCabe MSP, Minister of Finance and Public Service Reform which will take place at the Commission's next meeting on 17 January 2007.

7. Deputy Auditor General

Caroline Gardner advised the Commission of a number of matters of current interest including –

- Evidence given by Audit Scotland to the Scottish Parliament's Local Government and Transport Committee on Common Good funds in Scottish local authorities
- The imminent publication of a report by the Auditor General on the Efficient Government Initiative which will make reference to local authorities.

8. Financial Audit and Assurance Committee

The minutes of meeting of the Financial Audit and Assurance Committee of 24 November 2006 were submitted. Particular reference was made to –

- Late completion of annual audit reports by PricewaterhouseCoopers
- The completion of the quality appraisal programme on the 2004/5 audits and plans for the programme on the 2005/6 audits
- Concerns about the implementation of the Charities Accounts (Scotland) Act 2006.

After discussion the Commission noted the minutes and approved the recommendations contained therein.

Ann Faulds declared an interest in this item of business in respect of TIE, Edinburgh's transport company.

9. Performance Audit Committee

The minutes of meeting of the Performance Audit Committee of 6 December 2006 were submitted. Subject to further discussion on the proposed study programme for Audit Scotland 2007/8 the Commission noted the minutes and approved the recommendations contained therein.

10. Proposed Study Programme for Audit Scotland 2007/8

There was submitted a report by the Director of Public Reporting (Local Government) inviting the Commission to consider and approve proposals for the Commission's national studies programme for the period through to the end of 2008. The report referred to previous consideration of a list of possible studies which were included in the consultation paper issued earlier in the year. The proposals for the work programme were summarised in appendices to the report and reference was made to discussion of the programme by the Performance Audit Committee at its meeting on 6 December 2006.

After discussion the Commission agreed –

- i. to accept the overall shape of the Audit Scotland programme as proposed in the report;
- ii. to progress the following studies specifically for local government
 - Asset Management
 - Community Planning follow-up
 - Leisure services
- iii. to note a number of other proposals made during discussion of the report at the Performance Audit Committee and the Commission meetings for consideration in future programmes, and
- iv. to include the development of the study programme in future as a subject for consideration at the Commission's next Strategy Seminar.

11. Shetland Islands Council Best Value Follow-up Report

There was submitted a report by the Secretary introducing the Controller of Audit's progress report on the Best Value audit of Shetland Islands Council. The Controller of Audit's report was made to the Commission under section 102(1)(c) of the Local Government (Scotland) Act 1973. The Controller of Audit answered questions from members. Thereafter the Commission agreed to make findings as contained in the Appendix to these minutes.

12. Best Value Audit of Comhairle nan Eilean Siar

There was submitted a note of meeting between Commission representatives and representatives of Comhairle nan Eilean Siar held on 14 November 2006 as a follow-up to the Best Value audit of the Comhairle. A copy of the Comhairle's Improvement Plan accompanied the note. After discussion the Commission agreed –

- i. to note the report of the meeting with the Comhairle;
- ii. to note the Improvement Plan as submitted, and
- iii. to request that progress against the Improvement Plan be measured as part of the annual external audit process.

13. Best Value Audit of East Ayrshire Council

There was submitted a note of meeting between Commission representatives and representatives of East Ayrshire Council as a follow-up to the Best Value audit of that Council which took place on 15 November 2006. An outline of the Council's proposed approach to the Improvement Agenda accompanied the note. After discussion the Commission agreed –

- i. to note the report of the meeting with the Council;
- ii. to note the approach to the Improvement Agenda as submitted, and
- iii. to request that progress against the outline and proposed Improvement Plan be monitored as part of the normal external audit process.

14. Independent Review of Regulation, Audit, Inspection and Complaint Handling

With reference to paragraph 9 of the minutes of meeting of 8 November 2006 there was submitted a report by the Deputy Auditor General introducing a draft response on the Commission's behalf to the Crerar Review of Scrutiny in Public Services. In discussion of the draft response a number of points were made –

- The introduction to the response should focus on a small number of salient points, including thematic work in co-operation with the Auditor General and others, and the great advantages of the Best Value model as an example of holistic, risk based and proportionate scrutiny
- The response should clearly promote the specific role of the Accounts Commission
- There should be an indication of the Commission's future strategy and direction
- There is a potential for confusion in the readers' mind about the roles of the Commission and Audit Scotland and this should be clarified

- There should be further references to the modernised audit process and the seamless audit project.

Thereafter the Commission agreed –

- i. that members should submit detailed drafting points direct to Antony Clark;
- ii. that a redraft of the response, particularly the Introduction and taking account of the above points, be prepared by Audit Scotland and circulated to Commission members as soon as possible for an early response, and
- iii. that the resulting response be submitted to the Review Team on the Commission's behalf.

15. Audit Charges 2006/7 Audits – Revised Position

There was submitted a report by the Director of Audit Strategy referring to the Commission's approval, in October, of proposals for charges for the 2006/7 audits. The report outlined a subsequent agreement between Audit Scotland and HM Revenue and Customs about a revised VAT status which will apply from November 2006. The report described the impact of this agreement whereby the cost of local government audit will be reduced by around £400,000 per year. This will allow a reduction of the proposed charges, and a one off rebate to local authorities. The Commission welcomed the report and agreed to the revised charges as proposed in the report.

ACCOUNTS COMMISSION FOR SCOTLAND
SHETLAND ISLANDS COUNCIL BEST VALUE PROGRESS REPORT
FINDINGS

When the Commission made findings on the Best Value report on Shetland Islands Council in March 2005 we required a further report by the Controller of Audit on the progress made by the Council during 2005/6 and on the extent to which the objectives of Shetland's Improvement Plan had been achieved, and we accept this report as fulfilling that requirement. The Commission recognises that the report gives a broad picture of the Council's performance based on the work of Audit Scotland and does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the Council.

The Commission accepts the conclusion of the report that Shetland Islands Council has made a start in addressing the issues raised in the Commission's previous findings. In particular we acknowledge –

- The introduction of a Corporate Improvement Plan and service planning and performance management frameworks
- Moves towards achieving the longer term ambition of financial sustainability.

We remain concerned, however, about the pace and extent of change as a number of initiatives are relatively recent and are not yet fully established. We wish to place particular emphasis on the need for early improvement in the following areas –

- The development of Community Planning
- Clarity of lines of accountability between the Council and Trusts.

The Commission welcomes the steps that the Council has taken in the direction of establishing better scrutiny processes. We believe, however, that it is essential to have an Audit Committee that is separate from other deliberative and decision-making bodies.

Accordingly we urge the Council to increase the pace of change in delivering the Improvement Plan. Progress will be monitored through the annual audit process.