

AGENDA ITEM 2

Minutes of the meeting of the Accounts
Commission held in the offices of Audit
Scotland, 110 George Street, Edinburgh
on Wednesday, 15 October 2008 at
10.30am

PRESENT: J Baillie (Chair)
O Clark
M Docherty
A Faulds
A Kelbie
J King
I Low
W McQueen
I Robertson
D Sinclair

IN ATTENDANCE: C Gardner, Deputy Auditor General and Controller of Audit
D Pia, Director of Public Reporting (Local Government)
C Coull, Secretary
A Clark, Assistant Director, Public Reporting (item 9)
T Yule, Local Govt Improvement Advisor, Public Reporting (item 9)
B Hurst, Director of Public Reporting (NHS & CG) (items 10 & 11)
S Lovatt, Project Manager, Public Reporting CG (items 10 & 11)
R Frith, Director of Audit Strategy (item 12)
D McGiffen, Director of Corporate Services (item 14)
S Brennan, Accent Scotland (item 14)

<u>Item No</u>	<u>Subject</u>
1.	Membership
2.	Apologies for absence
3.	Minutes of meeting of 17 September 2008
4.	Chair's Introduction
5.	Performance Audit Committee
6.	Committee Membership
7.	Report by the Controller of Audit
8.	Best Value 1
	(a) Best Value Audits – Progress
	(b) Aberdeenshire Council
	(c) Orkney Islands Council
9.	Best Value 2
	(a) Update on Best Value 2 Developments
	(b) Options for Forming Judgements
	(c) Peer Involvement
	(d) Sharing Good Practice
10.	Consultation on the Programme of National Performance Audit Studies
11.	Improving Energy Efficiency
12.	Audit Charges 2008/09 Audits
13.	Programme of Meetings 2009
14.	Audit Scotland Corporate Priorities

1. Membership

The Chair welcomed Bill McQueen to his first meeting of the Accounts Commission and congratulated him on his appointment

2. Apologies

Apologies for absence were intimated on behalf of Michael Ash.

3. Minutes

The minutes of meeting of 17 September 2008 were submitted and approved and action was noted.

4. Chair's Introduction

The Chair reported on a number of matters as follows:-

- Together with the Auditor General, Controller of Audit and Phil Taylor he had given evidence to the Scottish Commission for Public Audit. Their report had now been published.
- A further meeting had been held with scrutiny bodies and progress was continuing to be made. He was to meet the Cabinet Secretary later in the month in this regard.
- Discussions had been held with civil servants regarding the workload of Commissioners and the rate of pay and the Secretary reported on progress.
- Information had been sought regarding the involvement of councils in Icelandic banks and the Controller of Audit reported on the details.

The position was noted.

5. Performance Audit Committee

The minutes of the meeting of the Performance Audit Committee of 2 October 2008 were submitted and improved.

6. Committee Membership

It was agreed to delegate to the Chair, in consultation with Douglas Sinclair and Michael Docherty, to consider the appointment of members to the Performance Audit Committee and the Financial Audit and Assurance Committee

[Action – appointment of members – Chair]

7. Report by the Controller of Audit

There was submitted a report by the Controller of Audit providing an update on the following matters:-

- Scrutiny improvement programme
- Single Outcome Agreements
- Audits of local authorities' financial statements
- Parliamentary Audit Committee
- Audit Commission Reports

It was noted that consultation was currently taking place on draft guidance in respect of Single Outcome Agreements and the Commission would be kept up-to-date with developments.

With regard to the response to the Cabinet Secretary on scrutiny improvement there was attached to the Controller of Audit's report a draft key messages document which was intended to form the basis of the reply. In discussion it was noted that there was a need to have a mechanism in place for resolving any disputes which might emerge and that the wording should be strengthened in respect of the commitment needed from local government to developing consistently good performance management systems.

The draft response was otherwise approved.

8. Best Value 1

(a) Progress Update Report

There was submitted and noted a report by the Director of Public Reporting (Local Government) updating the Commission on progress with regard to the first round of Best Value audits.

(b) Aberdeenshire Council

There were submitted the note of meeting held with representatives of Aberdeenshire Council on 10 September 2008 and a copy of the Council's Improvement Plan.

The position was noted, subject to a minor change of wording in the note of meeting.

(c) Orkney Islands Council

There were submitted note of meeting held with representatives of Orkney Islands Council on 29 September 2008 together with a report to the Council's Policy and Resources Committee on their draft Improvement Plan.

The position was noted.

9. Best Value 2

(a) Update on Best Value 2 Developments

There was submitted a report by the Director of Public Reporting (Local Government) updating the Commission on progress of the Best Value 2 Improvement Plan and introducing draft papers on options for forming judgements, peer involvement, and good practice identification and strengthened improvement support as part of Best Value 2.

The Commission agreed to note the progress of the Best Value Improvement Plan.

(b) Forming clearer judgements about Local Authority performance

There was submitted a paper setting out a series of issues for the Commission to consider in relation to how judgements on the extent to which local authorities were achieving Best Value would be expressed in Best Value reports prepared by the Controller of Audit on behalf of the Commission.

The key questions which the Commission was invited to consider were:-

- Whether to introduce an absolute measure of council performance
- Whether to introduce a direction of travel/capacity for improvement judgement
- Whether there were specific elements (or groups of elements) which should be graded/scored.

Following considerable discussion it was agreed that proposals for further consideration would be brought to the Commission taking account of the following principles:-

- (i) one overall single measure would not be appropriate, given the complexity of councils
- (ii) a direction of travel judgement should be introduced
- (iii) a number of measures common to all councils should be identified.

With regard to the scoring of specific elements it was recognised that the quality of the evidence available for different elements might vary, as might the audit coverage if BV2 is to be more proportionate and risk based, and that this could therefore affect the extent to which absolute judgements could be made.

It was agreed that the Best Value team should consider the six proposed characteristics of a Best Value Council and identify a number of key elements which councils should be delivering to a common standard.

It was noted that a further report would be submitted in due course providing examples on the basis of the Commission's decision as detailed above.

[Action – further report – David Pia]

(c) Peer involvement

There was submitted a paper seeking the Commission's views on introducing peer involvement in the Best Value 2 audit process. The paper included information on the use of peers by other scrutiny bodies and indicated that COSLA had argued strongly for this development.

During discussion concerns were expressed at the small pool of senior local government officers and members in Scotland and whether such a scheme would prove difficult to operate due to the commitment required. Concerns were also expressed as to whether peers would be perceived to be acting independently. It was felt that it would be helpful to explore the possibility of including recently retired members and officers, people from south of the border, civil servants and people from the private and voluntary sector on the panel of peers. Consideration should also be given to piloting a few different models.

[Action – further report – David Pia]

It was accordingly agreed:-

- (i) to approve in principle a scheme of peer involvement, subject to further work on the detail of the scheme and to piloting being carried out,
- (ii) that consideration be given to the make-up of the panel of peers,
- (iii) that the Commission now start discussions with COSLA and SOLACE on the implementation of a pilot scheme,
- (iv) that this aspect be included in the consultation with councils at the beginning of next year.
- (v) that a further report be submitted outlining a proposed way forward, and
- (vi) that a report be submitted on the involvement of users and lay-persons once the appropriate Crerar group had reported.

[Action – discussions with COSLA/SOLACE; further reports – David Pia]

(d) Sharing Good Practice

There was submitted a paper considering options for the improved identification and dissemination of good practice and strengthened improvement support through the Best Value 2 audit processes.

The report highlighted the important part that audit could play in supporting improvement, whilst stressing the need for auditors to remain independent and that the primary responsibility for continuous improvement rests with public bodies themselves.

Following discussion it was agreed:-

- (i) that it was not appropriate for the Commission to provide direct improvement support within councils or to participate in council self-evaluation exercises,
- (ii) that more systematic capture and dissemination of good practice should be developed, including web-based database of good practice and the provision of improvement support material,
- (iii) that contact be made with COSLA (including the Improvement service) and SOLACE to consider how best to work together to disseminate good practice, and
- (iv) that a further paper be submitted in due course, including examples of good practice.

[Action – contact with COSLA and SOLACE; further report – David Pia]

10. Consultation on the Programme of National Performance Audit Studies

There was submitted a report by the Directors of Public Reporting advising of the consultation process on the next programme of National Performance Audit Studies. The potential study topics were currently being considered in the light of the consultation responses and in the context of resource capacity and other commitments, and proposals for the final programme would be brought to the Commission meeting in November.

The Commission agreed to note the position.

11. Improving Energy Efficiency

Iain Robertson declared an interest in this item as an advisor to an energy trading company, and took no part in consideration thereof.

There was submitted a report by the Director of Public Reporting (NHS and Central Government) regarding the joint report on behalf of the Accounts Commission and the Auditor General on improving energy efficiency. Attached to the report were the draft final report of the study and key messages document.

In discussion a number of points were made:-

- It would be helpful to include a definition of “energy”
- The lack of policy in central government was very disappointing
- It was surprising that there was no baseline information from local government and the NHS
- The first two sentences of paragraph 27 of the key messages document should be re-worded
- Paragraph 13 of the key messages should include the percentage rise in energy prices
- The overview report should note the extent of similarity of key messages in various reports.

Thereafter the Commission agreed to approve the report subject to the above points and to give consideration in the proposed future programme to re-visiting this issue in due course.

[Action – consider follow-up report in future programme – Barbara Hurst]

12. Audit Charges 2008/09 Audits

There was submitted a report by the Director of Audit Strategy seeking the Commission’s agreement to the proposed audit charges for the 2008/09 audits which would commence shortly.

The Commission agreed:-

- (i) To approve the proposed audit charges and fee strategy
- (ii) That an indication be given to councils of the likely increase in charges for local government IFRS based accounts
- (iii) That a meeting be arranged with council directors of finance to discuss the charges, and
- (iv) That the Chair add this to the agenda for his next meeting with the President of COSLA.

*[Action – contact with Councils – Russell Frith]
- discussion with COSLA – Chair]*

13. Programme of Meetings 2009

There was submitted and approved a programme of meetings for the Commission and its Committees for 2009.

14. Audit Scotland Corporate Priorities

There was submitted a report by the Director of Corporate Services introducing the results of the recent consultation exercise with the Accounts Commission and clients about Audit Scotland's corporate priorities. Sean Brennan of Accent Scotland gave a presentation on the responses to the online consultation, highlighting where there were differences in responses from the Commission and those from clients and stakeholders.

Discussion took place in particular on the draft Audit Scotland strategy map and the following points were made:-

- Consideration should be given to the wording of "helping to improve" to clarify that the Commission's role is supportive whilst preserving the independence of the scrutiny function
- Further consideration should be given to the wording of "world class" and where this should sit in the strategy and to what extent this can be measured
- The document should be more specific on sharing good practice with others and working with other scrutiny bodies
- The diagram should be re-drawn slightly to point up the relative importance of the elements
- The document needs to make clear that the strategy is owned by the Accounts Commission and Auditor General and that the role of Audit Scotland is to provide services to them
- The strategy map should include the issue of using impact to drive up performance
- Point 3.2 on the strategy map should include the aim to reduce the cost and burden of scrutiny
- Work should be undertaken to ensure that the Audit Scotland risk register is aligned with the issues detailed in the strategy.

Thereafter the Commission noted that a further report would be submitted to its next meeting in November for further discussion.