

**AGENDA ITEM 3**  
**Paper: AC.2010.1.1**

Minutes of the meeting of the Accounts Commission held in the offices of Audit Scotland at 110 George Street, Edinburgh, on Wednesday, 9 December 2009, at 10.30am

PRESENT: J Baillie (Chair)  
M Ash  
A Kelbie  
B McQueen  
C May  
C Peebles  
L Pollock  
G Sharp  
D Sinclair

IN ATTENDANCE: C Gardner, Deputy Auditor General and Controller of Audit  
D Pia, Director of Public Reporting (Local Government)  
L Bradley, Director of Audit (Local Government)  
G Smail, Acting Secretary & Business Manager  
B Hurst, Director of Public Reporting (Health & Central Government) (item 7)  
A Cullen, Assistant Director (Public Reporting) (item 7)  
J Thomson, Project Manager (Public Reporting) (item 7)  
N Bridle, Assistant Director (Public Reporting) (item 11)

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence and welcome
2.	Declarations of interest
3.	Minutes of meeting of 18 November 2009
4.	Minutes of Financial Audit and Assurance Committee of 11 November 2009
5.	Chair's introduction
6.	Update report by the Controller of Audit
7.	Efficient Government programme 2008 -2011: a position statement
8.	Shetland Islands Council - Annual Audit 2008/09
9.	Update on Best Value developments
10.	Role of the Accounts Commission in BV2 and related matters
11.	Local government scrutiny co-ordination update
12.	Any other business

1. Apologies for absence and welcome

Apologies for absence were intimated from Colin Duncan, Jim King and Iain Robertson.

The Chair welcomed Mark Brough. Mark was observing this meeting prior to taking up the role of Secretary & Business Manager in January 2010.

2. Declarations of interest

Bill McQueen declared an interest in item 7 (Efficient Government position statement) insofar as one of the case studies in the draft report included reference to the Crown Office, with which he previously worked.

3. Minutes of meeting of 18 November 2009

The minutes of the meeting of 18 November 2009 were submitted and approved.

4. Minutes of Financial Audit and Assurance Committee of 11 November 2009

The minutes of the meeting of the Financial Audit and Assurance Committee of 11 November 2009 were submitted and approved.

5. Chair's introduction

The Chair reported on a number of items:

- Presentations at conferences on Asset Management and Shared Services.
- Scrutiny co-ordination strategic group meeting on 19 November. Bill McQueen is now a member of the Strategic Group.
- Meeting with Mr Kenny MacAskill MSP, Cabinet Secretary for Justice with Bill Skelly, HMICS and Caroline Gardner regarding the joint Best Value and inspection report on Tayside Police.

The position was noted.

6. Update report by the Controller of Audit

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

- Local government audits
- Parliamentary Committees
- Provisional local government finance settlement for 2010 -11
- Sir John Arbuthnott's report for the Clyde Valley Partnership
- Audit Commission reports.

The report was noted.

7. Efficient Government programme 2008 -2011: position statement

There was submitted a report by the Director of Public Reporting (Health and Central Government) inviting the Commission to consider and approve the draft joint report on the Efficient Government programme 2008 -2011. The report noted that this is a joint study report by the Accounts Commission and the Auditor General for Scotland.

During discussion, the following points were noted:

- It is important to note that the efficiency savings set out in the report have not been validated. Paragraph 2 of the draft report makes this clear and should be highlighted to emphasise the point.
- Key issues include the need for robust efficiency measures, sound baselines and consistent guidelines on reporting.
- There was discussion about the clear distinction between efficiency savings and service cuts and between recurring and non-recurring efficiency savings.
- A more fundamental review of efficiencies will be needed because current targets will not bridge the gap between spending and funding. The report should be clear about the scale of the task ahead.
- Councils should explore other ways of delivering services, including in partnership. Good quality information on costs is essential to inform decisions.
- The report highlights risks associated with managing efficiencies and their impact. The Commission recognised this should be reflected in councils' internal risk management arrangements.
- Agreed that exhibits showing reported efficiency savings by individual councils should be removed from the draft report. It may be possible in the text to group bodies in terms of % savings, in ranges relative to DEL and expenditure. The Commission noted that the chosen denominator can have a significant effect on any calculations.
- In removing the exhibits, the caveats about the quality of reporting should be strengthened.

Thereafter the Commission approved the draft report and noted the publication timetable.

#### 8. Shetland Islands Council – Annual Audit 2008/09

There was submitted a report by the Acting Secretary & Business Manager introducing the Controller of Audit's statutory report on the 2008/09 annual audit of Shetland Islands Council.

The Commission noted the terms of the Controller's report and in discussion also noted other matters arising from the 2008/09 audit as reported in the external auditors' annual audit report.

The Commission noted the options available to it on receipt of a statutory report and that it could direct the Controller to carry out further investigations. The Commission also noted its more general power to require the Controller to report to the Commission with respect to local authority accounts, matters arising from the auditing and the performance by a local authority of its best value duties.

Taking these statutory provisions together, the Commission agreed to request the Controller to undertake further work at Shetland Islands Council and to report back. The Commission requested in the first instance that the Controller submits a paper on the proposed scope of the work. This should include an examination of the background to the audit qualifications, related governance matters and other aspects of performance highlighted in the external auditors' annual audit report.

*Action: Controller of Audit to submit paper to the Commission in January 2010 setting out the proposed scope of further audit work.*

9. Update on Best Value developments

There was submitted a report by the Director of Public Reporting (Local Government) updating the Commission on BV2 development generally and on the progress of the BV2 pathfinder audits and the BV police pilot audits.

The position was noted.

10. The role of the Accounts Commission in BV2 and related matters

There was submitted a paper by the Acting Secretary & Business Manager to support the Commission's consideration of its role in relation to Best Value and more general points about its engagement with local government.

During discussion, the following points were noted:

- The paper identifies specific points relating to BV2 audits which need to be taken into account during the Commission's ongoing consideration of holding its meetings in public.
- Further work is required to develop points of reference for the Commission to inform its decisions on further audit work and hearings. These should be in the form of guidelines which further promote consistency and transparency and allow flexibility.
- The Commission should continue to meet with councils and further consideration is required on the timing and nature of these meetings.
- A more systematic approach to stakeholder engagement is required and there is scope for the Commission to develop its advocacy role to support improvement, without compromising the Commission's independence which is paramount.
- A programme of presentations from senior people working in or with local government should be established. An earlier programme included presentations from a council Chief Executive but further presentations were postponed due to agenda pressures.

Thereafter, the Commission agreed to continue the discussions and to develop an action plan at its strategy event in March 2010. The Commission agreed that the Secretary & Business Manager, in consultation with the Chair, should identify specific points for discussion at the strategy event and options for taking these points forward

*Action: Secretary & Business Manager, in consultation with the Chair, to identify points and options for discussion at the March strategy event.*

11. Local government scrutiny co-ordination update report

Nikki Bridle, Assistant Director (Public Reporting) provided a briefing on the Shared Risk Assessment (SRA) process. This included background to actions following the Crerar review of scrutiny, the Commission's role and details of the SRA development work to date.

The Commission noted the presentation with interest and following questions and answers thanked Nikki for her work on this project.

12. Any other business

The following points were noted:

- The Auditor General will attend the Commission meeting on 21 January to present and discuss his recent report on Scotland's Public Finances. The discussion will focus on what this might mean for the priorities and work of the Commission and the AGS. After the meeting the AGS will meet with the five new Commission members as part of their induction.
- The Scottish Government is consulting on specific equalities duties which should be placed on Scottish public authorities to assist them deliver the new general duty outlined in the UK Government's Equality Bill. The deadline for responses is 15 January and the Commission agreed to delegate authority to the Chair to sign off the Commission's response.
- The Commission agreed to move its annual strategy event to 1 and 2 March 2010 to avoid coinciding with the COSLA conference.
- The next Commission meeting is on Thursday 21 January at Audit Scotland's offices at 18 George Street.

The Chair noted that this was Gordon Smail's final Commission meeting as Acting Secretary & Business Manager. The Chair thanked Gordon for his work in supporting the Commission over the past eight months.