

MEETING: 8 AUGUST 2019

MINUTES OF PREVIOUS MEETING

Minutes of the 458<sup>th</sup> meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 13 June 2019, at 10.00am.

PRESENT: Graham Sharp (Chair)  
Andrew Burns  
Andrew Cowie  
Sophie Flemig  
Sheila Gunn  
Ronnie Hinds  
Christine Lester  
Tim McKay  
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)  
Carol Calder, Senior Manager, PABV (Item 10)  
Aileen Campbell, Auditor, PABV (Item 11)  
Sarah Croft, Manager, Ernst and Young (Item 11)  
Lisa Duthie, Senior Auditor, Audit Services Group (ASG) (Item 15)  
Brian Howarth, Audit Director, ASG (Items 10 and 15)  
Chris Lewis, Senior Auditor, PABV (Item 15)  
Jillian Matthew, Senior Manager, PABV (Item 9)  
Tricia Meldrum, Senior Manager, PABV (Item 11)  
Tom Reid, Senior Audit Manager, ASG (Item 12)  
Shelagh Stewart, Manager, PABV (Item 11)  
Kathrine Sibbald, Manager, PABV (Items 10 and 15)  
Gordon Smail, Audit Director, PABV and ASG (Item 12)  
Claire Sweeney, Audit Director, PABV (Items 9 and 10)

Item No    Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 9 May 2019
5. Audit Scotland Board update
6. Update report by the Secretary to the Commission
7. Update report by the Controller of Audit.
8. Commission meeting arrangements 2020
9. Briefing: community empowerment
10. Local Government Overview Report: impact and approach
11. Best Value Assurance Report (BVAR): Midlothian Council
12. BVAR (progress report): Clackmannanshire Council
13. BVAR: Midlothian Council (in private)
14. BVAR (progress report): Clackmannanshire Council (in private)
15. Local Government Financial Overview 2018/19: scope (in private)
16. Commission business matters

1. Apologies for absence

It was noted that there were no apologies for absence.

2. Declarations of interest

The following declarations of interest were made:

- Christine Lester, in item 9, as a member of the Scottish Health Council, in relation to references to that organisation.
- Geraldine Wooley, in item 6, as a member of the Scottish Housing and Property Chamber and of Fife Valuation Appeal Committee, in relation to references to housing matters, council tax and non-domestic rates.

3. Decisions on taking business in private

It was agreed that items 13 to 16 be considered in private because:

- Items 13 and 14 require the Commission to consider actions in relation to reports by the Controller of Audit. The Commission is then obliged by statute to inform the councils in question of its decisions, which the Commission does before making the decision public.
- Item 15 proposes a draft audit report which the Commission is to consider in private before publishing.
- 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.

No business was notified by members for item 16 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 9 May 2019

The minutes of the meeting of 9 May 2019 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 4, second bullet point, and in response to a query from Pauline Weetman, noted advice from the Secretary that he had liaised with the Audit Quality and Appointments Team to agree the arrangements for Commission decision-making in relation to the project for the procurement of the next round of auditor appointments, part of which would be considering a project plan including contingency arrangements.
- In relation to item 7, first bullet point, noted advice from the Secretary that part of the decision-making arrangements noted above would be considering matters in relation to audit fee strategy.
- In relation to item 7, second bullet point, noted advice from the Director of PABV that he would liaise with the Secretary on reporting back on Audit Scotland's review of performance in relation to the Institute of Chartered Accountants professional qualification.

*Action: Director of PABV and Secretary*

- In relation to item 8, first bullet point, noted advice from the Secretary that he was liaising with the Director of PABV on a response to the Scottish Government's consultation on the development of the National Islands Plan as

set out in the Islands (Scotland) Act 2018, upon which he would report further in due course.

- In relation to item 8, second bullet point, noted advice from the Secretary that he had provided an update on national developments in relation to skills and capacity in the building control profession in his Secretary update report (paragraph 16).
- In relation to item 8, fourth bullet point, noted advice from the Secretary that he had provided an update on the progress of the Children and Young People (Information Sharing) (Scotland) Bill in his Secretary update report (paragraph 16).
- In relation to items 10, 11 and 12, noted advice from the Secretary that the Commission Annual Report 2019/20, Commission Strategy 2019-24, and Commission Engagement Strategy progress report and revised plan were published and shared with stakeholders on 31 May.

#### 5. Audit Scotland Board update

The Commission considered a report providing an update on the recent activity of the Audit Scotland Board.

During discussion, the Commission:

- In relation to item 7 of the minute of the Board meeting on 1 May 2019, in response to a query from Pauline Weetman, noted advice from the Chair that, in line with item 4 (first bullet point) of this minute, the Commission would continue to seek assurance from Audit Scotland on the contingencies in place in relation to various areas of risk in the project leading to a new Code of Audit Practice and new audit appointments.
- In relation to item 21 of the minute of the Board meeting on 1 May 2019, noted advice from the Secretary that the Communications Manager of Audit Scotland would lead a discussion session, to consider matters in relation to the Commission's approach to communications, promotion and publicity, after the Commission meeting on 8 August.

Thereafter, the Commission noted the report.

#### 6. 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:

- Noted advice from Christine Lester on the report published by the Scottish Government on the independent review of cultural issues related to allegations of bullying and harassment in NHS Highland, further details of which would be circulated by the Secretary.

*Action: Secretary*

- In relation to paragraph 18, agreed to congratulate Fiona Kordiak, Director, Audit Services, Audit Scotland, on her appointment as the new chair of the Chartered Institute of Public Finance and Accountability (CIPFA) Scotland for the next year.

- In relation to paragraph 39, and in response to a point made by Geraldine Wooley, agreed to maintain a watching brief on trends and numbers of non-domestic rates valuation appeals.

*Action: Director of PABV*

- In relation to paragraph 105, in response to a query from Stephen Moore, noted advice from the Controller of Audit that he would be liaising with the Care Inspectorate on issues arising from the entering into administration of Four Season Health Care.
- In relation to paragraphs 109 and 111, in response to a query from Sophie Flemig, noted advice from the Secretary that the lunchtime speaker session in September would be on poverty and inequalities.
- In relation to paragraph 143, in response to a query from Stephen Moore, noted:
  - advice from the Secretary and Controller of Audit on the significant work undertaken by Audit Scotland to manage risks in relation to cyber security.
  - advice from the Secretary that he would provide more details on this matter on the Commission members' SharePoint site.

*Action: Secretary*

Following discussion, the Commission agreed to:

- Not respond to the consultations set out in paragraphs 20, 21 and 37.
- Note that the Secretary will report further on the Scottish Government consultation on the implementation of the Gender Representation on Public Boards (Scotland) Act 2018.

*Action: Secretary*

- Note the report.

#### 7. Update report by the Controller of Audit

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

Arising therefrom, the Commission noted advice from the Controller of Audit that he would circulate the Queen's Counsel guidance obtained by Audit Scotland in relation to the application of current statutory regulations to councils' repayments of their loans fund advances.

*Action: Controller of Audit*

#### 8. Commission meeting arrangements 2020

The Commission considered a report by the Secretary on the meeting arrangements for 2020.

Following discussion, the Commission agreed:

- The proposed schedule and arrangements for meetings of the Commission and its committees in 2020.
- To retain a speaker session during committee days and note the schedule of speakers for the remainder of 2019 and early 2020, subject to a minor

amendment of swapping the scheduling of sessions on the National Performance Framework and the Crown Estate.

*Action: Secretary*

9. Briefing: Principles for community empowerment

The Commission considered a report by the Director of PABV introducing a paper on principles for the community empowerment, developed by Audit Scotland on behalf of the Strategic Scrutiny Group.

During discussion, the Commission:

- Noted advice from the Director that the document was aimed primarily at the scrutiny partners on the Strategic Scrutiny Group, with a view to raising awareness of community empowerment and promoting a shared understanding across partners.
- Noted advice from the Director that the paper would be shared with audit teams following publication.
- Noted advice from the Secretary on reported progress in the development of refreshed Best Value statutory guidance, being led by the Scottish Government and the Convention of Scottish Local Authorities (COSLA), given its importance in setting out the Best Value expectations of councils in relation to community empowerment.

Following discussion, the Commission agreed to:

- Endorse the paper, to be published by the Steering Group, subject to a number of revisions to be considered by the drafting team.
- Endorse the proposals for promoting the paper.
- Note the importance of identifying in audit work good practice in relation to community empowerment, with a view to supporting the improvement agenda.
- Further consider its responsibilities in relation to auditing and reporting on community empowerment.

*Action: Secretary and Director of PABV*

10. Local Government Overview: impact and approach

The Commission considered a report by the Director of PABV providing a summary of the initial impact of the two overview reports published during 2018/19 and inviting consideration of the development of overview reporting for 2019/20 and beyond.

During discussion, the Commission:

- Agreed that the Director consider:
  - how to seek more formal feedback from councils on the overview reports.
  - how to build an understanding of how councils use the overview reports.

*Action: Director of PABV*

- Agreed that the Secretary consider:
  - how to facilitate online discussion between members on emerging messages for the financial overview.

- the option of rescheduling meetings of the Commission's committees to fit with a timetable to consider emerging messages for the financial overview.
- Noted advice from the Director, in response to a query from Christine Lester, that he would consider how messages on integration joint board finances feature in the proposed three-year rolling plan on the scope of overview work.

*Action: Director of PABV*

Following discussion, the Commission agreed:

- To note the initial impact of the overview reports in 2018/19.
- The proposed approach to overview reporting in the future, including:
  - timescales for 2019/20 (including the approach to considering emerging messages for the financial overview)
  - development of medium-term planning for the challenges and performance overview work.

11. Best Value Assurance Report: Midlothian Council

The Commission considered a report by the Secretary to the Commission presenting the Controller of Audit's Best Value Assurance Report for Midlothian Council.

Following questions to the Controller of Audit, the Commission agreed to consider in private how to proceed.

12. Best Value Assurance Report (progress report) Clackmannanshire Council

The Commission considered a report by the Secretary to the Commission presenting the Controller of Audit's Best Value Assurance follow up report for Clackmannanshire Council.

Following questions to the Controller of Audit, the Commission agreed to consider in private how to proceed.

13. Best Value Assurance Report: Midlothian Council (in private)

The Commission discussed how to proceed in relation to the Controller of Audit's Best Value Assurance Report for Midlothian Council

Following discussion, the Commission agreed to make findings, to be published on 6 July 2019.

14. Best Value Assurance Report (follow up): Clackmannanshire Council (in private)

The Commission discussed how to proceed in relation to the Controller of Audit's Best Value Assurance follow up report on Clackmannanshire Council

Following discussion, the Commission agreed to make findings, to be published on 27 June 2019.

15. Local government financial overview 2018/19: scope

The Commission considered a report by the Director of PABV proposing the scope

for the local government financial overview 2018/19.

Following discussion, the Commission agreed to approve the scope of work for the local government financial overview 2018/19, including the proposed audit scope leaflet for publishing.

16. Commission business matters

The Chair advised that this meeting would be the last formal meeting for Ronnie Hinds. The Chair thanked Ronnie for his commitment and hard work in his appointment as Deputy Chair and Acting Chair over five years, and wished him well for the future. In turn, Ronnie thanked the members of the Commission for working with him, and also the staff of Audit Scotland for their support to the Commission during his term of office.

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