

MEETING: 10 AUGUST 2017**MINUTES OF PREVIOUS MEETING**

Minutes of the 437th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 8 June 2017, at 10.15am

PRESENT: Ronnie Hinds (Acting Chair)
Alan Campbell
Christine May
Geraldine Wooley
Pauline Weetman
Sheila Gunn
Sophie Flemig
Stephen Moore
Tim McKay

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Elaine Boyd, Assistant Director, Audit Strategy [Item 14]
Anne Cairns, Manager, Audit Strategy [Item 12]
Antony Clark, Assistant Director, PABV [Items 13 and 15]
Fiona Daley, Consultant, Audit Strategy [Item 14]
Russell Frith, Assistant Auditor General [Items 12 and 14]
Lorraine Gillies, Senior Manager, PABV [Item 15]
Mark McCabe, Senior Manager, PABV [Items 9 and 13]
Cathy MacGregor, Audit Manager, PABV [Item 15]
Zoe McGuire, Auditor, PABV [Item 15]
Rebecca Seidel, Audit Manager, PABV [Item 10]
Mark Taylor, Assistant Director of Audit Services & PABV [Items 10 and 11]

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 11 May 2017
5. Minutes of Audit Scotland Board meeting 31 March 2017
6. Audit Scotland Board Update
7. Update report by the Secretary to the Accounts Commission
8. Update report by the Controller of Audit
9. Local government overview report: impact and approach for 2018
10. New financial powers and constitutional change update
11. Briefing: non domestic rates
12. Housing Benefits performance audit – annual report
13. National Scrutiny Plan
14. Review of quality arrangements
15. Performance audit - draft report: Self-directed support (progress report)
16. Commission business matters

1. Apologies for absence

It was noted that apologies were received from Graham Sharp and Sandy Cumming.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 7, as a non-executive Director of the Wheatley Group, in relation to references to housing matters.
- Geraldine Wooley:
 - in item 7, as a former employee of the Scottish Council for Single Homeless, in relation to references to housing matters
 - in items 10, 12 and 15, as her close family member is an adviser to the Scottish Government on social security matters
 - in item 17, as a member of the Fife Valuation Appeal Committee.

3. Decisions on taking business in private

It was agreed that the following items be taken in private:

- Item 14, as it proposes a report from the review of quality arrangements, in relation to which the Commission may wish to discuss confidential audit matters with the author.
- Item 15, as it proposes a draft audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary 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.

The Chair advised that there was no business for item 16 and thus would not require discussion.

4. Minutes of meeting of 11 May 2017

The minutes of the meeting of 11 May 2017 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 10, first bullet point, noted advice from the Director of PABV that while there were no notable studies of the effects of Scottish Ministers' Public Sector Pay Policy, he would continue to monitor the matter.
- In relation to item 10, fourth bullet point, noted advice from the Secretary on the early development of the Improvement Service's 'associates network', the further development of which he would update the Commission as appropriate.
- In relation to paragraph 16, noted advice from the Secretary that Ronnie Hinds, Alan Campbell and Graham Sharp would be meeting senior officers

and members of Inverclyde Council on 20 June to discuss the report of the Best Value audit of the Council.

5. Minutes of Audit Scotland Board meeting of 31 March 2017.

The minutes of the meeting of Audit Scotland Board of 31 March were noted.

6. Audit Scotland Board Update

The Chair provided a verbal update on recent Audit Scotland Board activity.

Arising therefrom, advice from the Chair was noted that he would provide Commission members with further information relating to the Board's review of its standing orders.

7. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Commission providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

Following discussion, the Commission agreed to note the report.

8. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

During discussion, the Commission noted advice from the Controller of Audit that:

- He had convened a 'round table' event for stakeholders concerned with school governance particularly around the Scottish Government's Pupil Equity Scheme, and he would keep the Commission updated on audit implications and for the work programme in this regard, including a planned further 'round table' event later in the year in relation to the Commission's proposed performance audit on educational attainment in 2018/19.
- He continued to act as an observer on the working group convened by the Scottish Government and COSLA on the proposed refresh of Best Value statutory guidance, progress on which he would keep the Commission updated, including a proposed formal statutory consultation on the working group's proposals in the Autumn.

Following discussion, the Commission noted the update.

9. Local Government overview report: impact and approach for 2018

The Commission considered a report by the Director of PABV providing a summary of the initial impact of the approach to overview reporting in 2016/17, and proposing the approach for 2018, including the Commission's oversight of the process.

During discussion, the Commission agreed:

- To note the impact of the 2017 overview reports.
- Agree the approach to the 2018 overview reports as proposed in the report, but incorporating the following:

- A standing advisory group be established as proposed in the report, but including the Improvement Service in its membership.
- Both Commission committees to oversee the scoping and the emerging messages of the two overview reports.
- To note advice from the Director that he would monitor the deliberations of the UK government around the process and content of the UK budget in terms of implications for the Scottish Government budget and thus the overview reports.

Action: Director of PABV

- To note advice from the Secretary, in relation to service expenditure, that he would circulate to members the information considered previously by the Financial Audit and Assurance Committee on the reporting requirements on local authorities in the 2016/17 Code of Practice on Local Authority Accounting in the UK in relation to expenditure and funding analysis, arising from a review in this regard (known as 'Telling the Story').

10. New financial powers and constitutional change update

The Commission considered a report by the Assistant Director of Audit Services and PABV providing an update on key developments surrounding further financial devolution and constitutional change.

During discussion, the Commission:

- Agreed to continue to receive future updates on at least a six-month frequency, but more often if required.
- Agreed that future such updates provide more information on the likely and actual impact on council strategic planning and service provision.

Actions: Assistant Director of Audit Services and PABV

- Noted advice from the Director of PABV that he would continue to monitor the resource implications in this regard on the audit of local government.

Thereafter, the Commission noted the report.

11. Briefing: non domestic rates

The Commission considered a report by the Assistant Director of Audit Services and PABV providing a brief overview of Non-Domestic Rates (NDR) in Scotland, including the 2017 rates revaluation and schemes of rates relief.

During discussion, the Commission:

- Agreed that more information be provided on the Business Rates Incentive Scheme.
- Agreed to continue to receive future such updates as required.
- Agreed that further consideration be given by the Commission to audit work around business rates relief, including issues around appeals, to be considered as part of the refresh of the Commission work programme.

Action: Secretary

Thereafter, the Commission noted the report.

12. Benefits performance audit – annual report

The Commission considered a report by the Assistant Auditor General advising the Commission of the outcome of Audit Scotland's housing benefit performance audit work during 2016/17.

Following discussion, the Commission:

- Approved the draft report.
- Agreed that the Chair write to council leaders, copied to chairs of audit and scrutiny committees and chief executives, promoting the report

Actions: Secretary and Assistant Auditor General

13. National Scrutiny Plan

The Commission considered a report by the Director of PABV introducing the National Scrutiny Plan for Local Government 2017/18 and its related commentary report.

Following discussion, the Commission:

- Noted advice from the Director of PABV that issues around the capacity of integration joint boards in dealing with audit and inspection work would be considered in the scoping of the proposed performance audit on health and social care integration, due to commence in early 2018.
- Agreed to endorse the published National Scrutiny Plan and the commentary report.

Actions: Director of PABV

14. Review of quality arrangements [in private]

The Commission considered a report by the Assistant Auditor General providing a progress update and asking for comment on and endorsement of the ongoing review of audit quality arrangements across all audit work.

During discussion, the Commission agreed:

- To note the ongoing development of a quality framework.
- To note an international comparative study commissioned by Audit Scotland on the approach to audit quality, quality monitoring arrangements, performance indicators and transparency reporting.
- To note Audit Scotland's ongoing consideration of its audit quality governance.
- To endorse the principle of enhanced external assurance as part of a quality framework covering all audit work, including proposals set out in the report about the structure of tenders in relation to financial audit, performance audit and Best Value auditing.
- That further consideration be given to the development needs of Commission members in relation to matters such as monitoring of quality and professional scepticism.

- That the quality framework ensure outputs which help inform the next audit procurement round, including in relation to the appropriate market mix of audit deliverers.
- That the Financial Audit and Assurance Committee provide further oversight of the review with a view to further consideration and sign-off by the Commission in the Autumn, including:
 - Matters around the independence of the audit quality monitoring function
 - Reporting of quality to the Commission across all audit work done by Audit Scotland and private firms
 - Key performance indicators.

Actions: Assistant Auditor General and Secretary

15. Performance audit - draft report: Self-directed support (follow up) [in private]

The Commission considered a report by the Director of PABV seeking approval of the draft performance audit report *Self-directed support: Progress report*, and of proposed arrangements for publication and promotion of the report.

Following discussion, the Commission agreed:

- To approve the draft report, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Sandy Cumming and Sophie Flemig.
- To approve the publication and promotion arrangements for the report.

Actions: Director of PABV

16. Commission business matters

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