

MEETING: 11 JANUARY 2018

MINUTES OF PREVIOUS MEETING

Minutes of the 441st meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 7 December 2017, at 10.15am

PRESENT: Graham Sharp (Chair)
Alan Campbell
Sophie Flemig
Sheila Gunn
Ronnie Hinds
Tim McKay
Christine May
Stephen Moore
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 9]
Neil Cartlidge, Audit Manager, PABV [Item 15]
Antony Clark, Assistant Director, PABV [Item 9 and 16]
Patricia Fraser, Audit Manager, Audit Services Group (ASG) [Items 12 and 13]
Russell Frith, Assistant Auditor General [Items 10 and 14]
Anne MacDonald, Senior Audit Manager, PABV [Item 15]
Tricia Meldrum, Senior Manager, PABV [Items 9 and 16]
Katherine Sibbald, Audit Manager, PABV [Items 12 and 13]
Rebecca Smallwood, Senior Auditor, PABV [Item 16]
Owen Smith, Senior Audit Manager, Appointments & Assurance [Item 14]
Claire Sweeney, Associate Director, PABV [Item 15]
Gillian Woolman, Assistant Director, ASG [Items 12 and 13]
Rikki Young, Business Manager, PABV [Item 9]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 9 November 2017
5.	Minutes of meeting of PA Committee of 23 November 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.	Work programme refresh
10.	Audit Quality Framework
11.	Ethical Advice to the Commission
12.	Best Value Assurance Report: Orkney Islands Council
13.	Best Value Assurance Report: Orkney Islands Council
14.	2017/18 Audits – Local Government Fees
15.	Health & Social Care Integration: Briefing
16.	Performance Audit: Early Learning and Childcare – Draft report
17.	Commission business matters

1. Apologies for absence

It was noted that apologies for absence had been received from Sandy Cumming.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 7, as Vice-Chair of the Wheatley Group, in relation to references to housing matters.
- Christine May, in item 12, as former Chair of Fife Cultural Trust, in relation to references to arm's-length external organisations.

3. Decisions on taking business in private

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

- Item 13 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 14 proposes a report from the Assistant Auditor General on the local government fees, in relation to which the Commission may wish to discuss confidential audit matters with the author.
- Item 15 is a briefing paper on which the Commission may wish to discuss confidential audit matters with the author.
- Item 16 proposes a draft audit report which the Commission is to consider in private before publishing.

No business was notified by members for item 17 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 9 November 2017

The Commission approved as a correct record the minutes of the meeting of 9 November.

Arising therefrom, in relation to item 6, second bullet point, the Commission noted advice from Sophie Flemig that her suggestion for the committee day speakers' programme related specifically to engagement with the third sector, both related to older people's care but also in a wider sense.

5. Minutes of meeting of Performance Audit Committee of 23 November 2017

The Commission approved as a correct record the minutes of the meeting of the Performance Audit Committee of 23 November, subject to noting that Geraldine Wooley was not in attendance at the meeting.

6. Audit Scotland Board Update

The Commission considered a report by the Secretary providing an update on the business of the Audit Scotland Board, including the minute of the meeting of the Board of 25 October 2017.

In relation to paragraphs 12 and 13 of the minute and in response to a query from Sophie Flemig, the Commission agreed that updates on the Audit Scotland Digital Audit Strategy and Audit Scotland Digital Services be made to the Commission at the appropriate opportunity.

Action: Secretary

Thereafter, the Commission noted the report.

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.

During discussion, the Commission:

- In relation to paragraph 11, agreed that papers on the Audit Scotland staff conference be made available on the members' extranet.

Action: Secretary

- Noted advice from the Secretary that in paragraph 15 there should be inserted, after "consultation on the", "Practical Fire Safety Guidance for Existing Premises with Sleeping Accommodation".
- In relation to paragraphs 20 and 53, in response to a point made by Pauline Weetman, agreed to retain an interest in relation to equalities and diversity implications of the participatory budgeting initiative being taken forward by the Scottish Government.

Action: Director of PABV and Secretary

- In relation to paragraph 22, in response to a query from Stephen Moore, noted advice from the Director of PABV that he would be keeping a watching brief on the progress of the new General Practitioners' contract, and would report to the Commission as appropriate.

Action: Director of PABV

- In relation to paragraph 39, in response to a point made by Pauline Weetman, agreed to retain its interest in encouraging a more effective approach to local government financial returns to the Scottish Government.

Actions: Director of PABV and Secretary

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 an error had regrettably been identified in the Local Government Financial Overview following its publication and in the evidence presented by him to the Local Government and Communities Committee on 29 November. He advised that the error had been rectified on the Commission website and appropriate stakeholders notified, including COSLA and the Scottish Government, and a letter to the Convener of the Local Government and Communities Committee.

The Commission noted that the Controller of Audit would be reviewing the matter further and would report back to the Commission accordingly.

Following discussion, the Commission noted the update.

9. Work programme refresh

The Commission considered a report by the Secretary introducing Audit Scotland's proposals for the annual refresh of the Commission's rolling work programme.

During discussion, the Commission:

- Approved a proposed draft work programme incorporating detailed proposals for 2018/19 and 2019/20, subject to the following being considered by the Chair in consultation with the Auditor General for Scotland, as a basis for consultation with stakeholders:
 - Reversing the phasing of the proposed performance audits on Innovative Financing (City Deals) (2018/19) and Value for money of NPD projects (2019/20).
 - In noting that the proposed draft work programme contain a commitment to a *How councils work* report in 2018/19, that further consideration be given to this matter following consideration of the first six Best Value Assurance Reports and the Controller of Audit's Annual Assurance and Risks Report.
 - In relation to community justice, and with reference to paragraph 7 of the minutes of the Performance Audit Committee of 23 November, that one performance audit be programmed in 2021/22, with a briefing paper in this regard to be considered by the Commission and Auditor General on progress as appropriate.
 - Consequently, that a proposed performance audit on the role of local authorities in economic development be phased earlier.
- To note advice from the Director that he would report as part of the review of auditing Best Value the resource allocation of Best Value Assurance Reports versus "other local government Best Value audit and intelligence activity" as referred to in the work programme proposals paper.
- Further in this regard, that more explanation of resource allocation be provided in future such reports.
- Noted advice from the Director that he was in discussion with the Secretary around further refining reporting of the progress of work programme to the Commission.
- Agreed that a degree of flexibility and responsiveness in the work programme is essential.
- Noted that the work programme proposals as presented incorporate post-publication promotion activity for all performance audits, to be considered by the Commission as appropriate.
- Agreed as part of the work programme a series of outputs beyond audit work, arising from programme development work, to be reported to the Commission.
- Noted the planned activities around the diversity and equality implications of the work programme.
- Approved the proposed consultation arrangements with stakeholders.
- Noted that the Secretary would report back on the outcome of the consultation.

Actions: Director of PABV and Secretary

10. Audit quality framework

The Commission considered a report by the Secretary to the Commission presenting the agreed Audit Quality Framework.

Following discussion, the Commission agreed to note the framework, subject to noting that it would include a reference to the role of Audit Scotland's ethics partner.

11. Ethical advice to the Commission

The Commission noted advice from the Chair that, following discussion with the Secretary, he had agreed to defer consideration of a report by the Secretary proposing how the Commission sources ethical advice, both in relation to the Financial Reporting Council Ethical Standard and the Ethical Standards in Public Life in Scotland.

12. Best Value Assurance Report: Orkney Islands Council

The Commission considered a report by the Secretary to the Commission presenting the Controller of Audit's Best Value Assurance Report on Orkney Islands Council and seeking direction on how to proceed.

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

13. Best Value Assurance Report: Orkney Islands Council [in private]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on the Best Value Assurance Report on Orkney Islands Council.

Following discussion, the Commission agreed to make findings, to be published on 14 December 2017.

Actions: Secretary and Controller of Audit

14. 2017/18 audits - local government fees [in private]

The Commission considered a report by the Assistant Auditor General with details of audit fees for the local government sector for 2017/18 audit year.

During discussion, the Commission agreed:

- That the Financial Audit and Assurance Committee be kept apprised of the issues arising from the audit of integration joint boards
- To note advice from the Controller of Audit that he would include in the review of auditing Best Value consideration of Best Value in integration joint boards.

Actions: Controller of Audit

Thereafter, the Commission noted the report.

15. Briefing: Health and social care integration [in private]

The Commission considered a report by the Director of PABV providing an update on current issues in relation to health and social care integration, based on current intelligence.

During discussion, the Commission agreed:

- That the information in the briefing be shared by the Director with appropriate stakeholders as part of ongoing performance audit and programme development work
- That further briefings to the Commission be provided as appropriate.

Actions: Director of PABV

Thereafter, the Commission noted the report.

16. Performance Audit: Early learning and childcare – draft report [in private]

The Commission considered a report by the Director of PABV seeking approval of the draft performance audit report *Early learning and childcare*, and of proposed arrangements for publication and promotion of the report.

Following discussion, the Commission agreed:

- Note its continuing interest in encouraging a more effective approach to local government financial returns to the Scottish Government.
- Further in this regard, that the Secretary and Director consider how to articulate this interest to stakeholders.
- To approve the draft report, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Alan Campbell and Geraldine Wooley.
- To approve the publication and promotion arrangements for the report.

Actions: Director of PABV

17. Commission business matters and closing remarks

The Chair advised that this was Russell Frith's last meeting with the Commission before his retirement. The Chair thanked Russell for his support of the Commission during his career, and wished him well in his retirement.

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