

MEETING: 8 MARCH 2018

MINUTES OF PREVIOUS MEETING

Minutes of the 443rd meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 8 February 2018, at 10.15am

PRESENT: Graham Sharp (Chair)
 Alan Campbell
 Sandy Cumming
 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)
 John Gilchrist, Appointments and Assurance Manager [Item 10]
 Fiona Mitchell-Knight, Assistant Director, Audit Services Group (ASG) [Items 8 and 9]
 Tommy Yule, Senior Auditor, ASG [Items 8 and 9]

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 8 December 2017
5. Audit Scotland Board update
6. Update report by the Secretary to the Accounts Commission
7. Update report by the Controller of Audit
8. Annual Assurance and Risks Report
9. New approach to auditing Best Value: review
10. Proposed change of audit appointment
11. Commission business matters

1. Apologies for absence

It was noted that no apologies for absence had been received.

2. Declarations of interest

The following declarations of interest were made:

- Christine May, in item 8, as a former member of Fife Council, in relation to references to Dunfermline Flood Prevention Scheme.

3. Decisions on taking business in private

It was agreed that the no items needed to be taken in private.

4. Minutes of meeting of 11 January 2018

The Commission approved as a correct record the minutes of the meeting of 11 January.

5. Audit Scotland Board Update

The Commission considered a verbal report by the Chair and Secretary to the Commission.

During discussion, the Commission agreed that the Secretary discuss with Audit Scotland the profile of the Commission in Audit Scotland's Digital Services Strategy.

Following discussion, the Commission agreed to note the report.

6. 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 13, in response to a query from Ronnie Hinds, noted advice from the Director of PABV that references to the Commission's performance audit on early learning and childcare, to be published on 15 February, in the Scottish Government's report *The Expansion of Early Learning and Childcare: Evaluation Report 2017*, did not contradict or compromise the messages of the performance audit.
- In relation to paragraph 24, in response to a query from Sandy Cumming, that a representative of the Scottish Crown Estate be part of the Commission's programme of lunchtime speakers.

Action: Secretary

- Further in this regard that the Secretary share with members for comment a list of proposed speakers.

Action: Secretary

- In relation to paragraph 25, in response to a point by Sophie Flemig, agreed that the issue of homelessness and vulnerable people be considered by the Commission as part of its consideration of its work programme and at its Strategy Seminar.

Action: Secretary

- Further in relation to paragraph 25, in response to a query from Pauline Weetman, it was agreed that equalities related issues in relation to homelessness in Scotland be considered by Audit Scotland's Health, Care and Communities Policy Cluster and the Diversity and Equalities Steering Group as appropriate.

Action: Director of PABV and Secretary

Following discussion, the Commission noted the report.

7. 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:

- In relation to a query from Christine May, noted advice from the Controller of Audit that Audit Scotland was monitoring the implications of recent problems associated with large-scale outsources service providers, and he would report further to the Commission as appropriate.
- Further in this regard, in relation to a query from Stephen Moore, noted advice from the Controller of Audit about the role of the new audit quality framework in reporting the performance of audit service providers.
- In relation to a point by Sophie Flemig, agreed that monitoring by the Controller of Audit in relation to recent issues arising in the care home sector include associated wider matters in relation to support for older and vulnerable people.
- In relation to a query from Tim McKay, agreed that further information be provided on the General Data Protection Regulation.

Actions: Controller of Audit

Following discussion, the Commission noted the update.

8. Annual Assurance and Risks Report

The Commission considered a report by the Controller of Audit introducing the Annual Assurance and Risks Report (AARR).

During discussion, the Commission agreed:

- In relation to paragraph 30, in response to a query from Tim McKay, that details of the 270 registered charities within 91 sets of charity accounts be provided for information to members via the members' extranet portal.

Action: Secretary

- In response to a point by Ronnie Hinds, that it consider further at its forthcoming Annual Strategy Seminar how reporting of outcomes is reflected in its strategic audit priorities and associated work.
- That consideration be given by the Commission and the Controller of Audit to how its strategic audit priority in relation to the reporting by councils of performance to citizens be reported more prominently.
- Further in this regard, to note advice from the Secretary that such consideration will include the Commission's commitment to reviewing, by the end of 2018, its statutory performance information Direction.

- In relation to paragraph 104, in response to queries from Tim McKay and Sheila Gunn, that further consideration be given by the Commission and the Controller of Audit to the reporting the effectiveness of shared services, including skills of elected members in this regard.
- In relation to paragraph 129, in response to a point by Sophie Flemig, that it consider further at its Strategy Seminar how community empowerment is reflected in its strategic audit priorities.
- In relation to paragraph 159, in response to a query from Tim McKay, that it further consider how to engage with health and social care integration authorities.

Action: Secretary

- In relation to paragraph 191, that the suggestions made by the Controller of Audit in relation to refining its strategic audit priorities be considered further at its Strategy Seminar.
- In relation to paragraph 157, in response to a point by Pauline Weetman and in relation to paragraph 4 of the minutes of the Financial Audit and Assurance Committee of 30 November 2017, noted its previous agreement of the Committee's recommendation that it advise council chief executives to stress to them the importance of councils ensuring the highest quality final accounts process.

Following discussion, the Commission agreed:

- To endorse the Annual Audit and Assurance Report and thereby the assurance provided by the Controller of Audit on how matters arising in audit work is reported to the Commission.
- Agreed that the Chair write to all councils advising of the Commission's endorsement of the AARR and including reference to the point set out above in relation to paragraph 157 of the AARR.
- Agreed that further development of the report, in advance of next year's report, include consideration of:
 - A greater degree of reporting of risk issues.
 - A greater degree of coverage of matters beyond the Commission's strategic audit priorities.

Actions: Secretary & Controller of Audit

9. New approach to auditing Best Value: review

The Commission considered a report by the Secretary introducing the Director of PABV's review of the first year of the new approach to auditing Best Value.

The Chair welcomed Richard Scothorne, Director, Rocket Science, who had as part of the review undertaken independent engagement with the councils who had been subject of the first six Best Value Assurance Reports.

During discussion, the Commission agreed:

- To note advice from Richard Scothorne on general observations that he had drawn from his engagement with council stakeholders on their experience of the process.
- To note advice from the Director, in response to a query from Christine May, that he would continue to monitor the robustness of auditors' annual audit

plans in order to provide the Commission with assurance about the coverage of Best Value across the five years of auditors' appointments.

- To note that further feedback and review of the audit will be reported to the Commission in the annual audit quality report, to be considered by the Commission at its April meeting.
- In relation to paragraph 93, that the feedback from consultants on accessibility and plain language issues associated with audit reports, be shared with members via the extranet portal.

Action: Secretary and Director of PABV

Thereafter, the Commission agreed:

- To endorse the Director's report on his review of the first year of auditing Best Value, thereby noting the effectiveness of the new approach in meeting much of the Commission's expectations and the generally positive experience articulated by councils.
- Thereby endorsing the recommended areas of improvement in the Director's report, subject to:
 - Including the following areas of improvement:
 - Considering further how to introduce more responsiveness in individual audits where ongoing feedback from councils on their experience is not positive.
 - Considering how the Commission's strategic audit priorities are defined and reflected in audit work and associated guidance.
 - Considering the effectiveness of the reporting of outputs to the public.
 - Considering the relationship between Commission findings and subsequent press releases and other promotion material.
 - Ensuring more testing of councils' approaches to benchmarking.
 - Improvement in relation to the integrated audit approach (i.e. paragraphs 104 to 107)
 - Engagement between the Commission, auditors and councils around audit reporting.
 - Giving further consideration to improvement action 12, in relation to how the conclusions of audit work are presented to audited bodies.

Actions: Director of PABV and Secretary

- To continue the role of the Commission's Best Value Working Group, to allow it to take forward the conclusions of the review and report to the Commission as appropriate.
- To engage directly with councils on the outcome of the review, to follow the model of the engagement events undertaken in late 2016 following the agreement of the auditing framework.
- As part of this, to advise stakeholders in advance of the Commission's endorsement of the review.

Actions: Secretary

- To note advice from the Director that he would write to auditors advising of the outcome of and matters arising from the review.

10. Proposed change of audit appointment

The Commission considered a report by the Assistant Director, Appointments and Assurance Team recommending a change of the appointment to audit the East of Scotland European Consortium (ESEC) from KPMG to the Director of Audit Services, Audit Scotland.

Following discussion, the Commission agreed to:

- Accept KPMG's withdrawal from the appointment to audit ESEC.
- Appoint Fiona Kordiak, Director of Audit Services, Audit Scotland, to audit ESEC.

11. Commission business matters and closing remarks

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