

478th meeting of the Accounts Commission for Scotland

**Thursday 15 April 2021, 9.00am
by video conference**

Agenda

1. **Apologies for absence**
2. **Declarations of interest**
3. **Order of business**

The Chair seeks approval of business, including proposing taking items 9 to 21 in private (* see note).

Business requiring decisions in public

4. **Minutes of meeting of 11 March 2021**
5. **Audit Scotland Board update**

Report by the Secretary.

Business for information in public

6. **Interim Chair's update report**
7. **Controller of Audit's update report**

Report by the Interim Controller of Audit.

Any other public business

8. **Any other public business**

The Interim Chair will advise if there is any other public business to be considered by the Commission.

Business requiring decisions in private

9. **Work programme: stakeholder consultation feedback 2021**
Report by the Secretary.
10. **Strategy and work programme: joint work programme proposals**
Report by the Interim Director of Performance Audit and Best Value.
11. **Local Government Benchmarking Framework: National Benchmarking Overview Report 2019/20**
Report by the Secretary.
12. **Local government in Scotland: overview 2021 – draft report**
Report by Interim Director of Performance Audit and Best Value.
13. **Mainstreaming equalities: progress – draft report**
Report by Chair of Audit Scotland Equalities and Human Rights Steering Group.

14. Equality outcomes 2021-25

Report by Chair of Audit Scotland Equalities and Human Rights Steering Group.

15. Best Value update

Report by the Secretary.

16. New audit appointments update

Report by the Interim Chair.

17. Draft Code of Audit Practice

Report by the Secretary.

18. Addendum to Audit Planning Guidance

Report by the Secretary.

Business for information in private

19. Secretary's update report

Report by the Secretary.

20. Audit Scotland update

Verbal report by Chief Operating Officer, Audit Scotland.

Any other private business

21. Any other private business

The Interim Chair will advise if there is any other business to be considered by the Commission in private.

It is proposed that items 9 to 21 be considered in private because:

- Item 9 reports on the outcome of a stakeholder consultation which includes matters which may affect the forthcoming Scottish Parliamentary election.
- Item 10 proposes a draft work programme which includes matters which may affect the forthcoming Scottish Parliamentary election.
- Item 11 includes discussion with representatives of the Local Government Benchmarking Board which includes matters which may affect the forthcoming Scottish Parliamentary election.
- Item 12 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 13 proposes a draft report which the Commission is to consider in private before publishing.
- Item 14 proposes a draft report which the Commission is to consider in private before publishing.
- Item 15 requires the Commission to consider confidential policy matters.
- Item 16 requires the Commission to consider confidential commercial and contractual matters.
- Item 17 requires the Commission to discuss confidential policy matters.

- Item 18 requires the Commission to discuss confidential policy matters.
- Item 19 includes reference to public policy matters which may affect the forthcoming Scottish Parliamentary election.
- Item 20 requires the Commission to consider confidential business matters.
- Item 21 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Interim Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda item	Paper number
Agenda item 4: Minutes of meeting of 11 March 2021	AC.2021.4.1
Agenda item 5: Report by Secretary to the Commission	AC.2021.4.2
Agenda item 6: Report by Interim Chair	AC.2021.4.3
Agenda item 7: Report by Interim Controller of Audit	AC.2021.4.4
Agenda item 9: Report by Secretary to the Commission	AC.2021.4.5
Agenda item 10: Report by Interim Director of Performance Audit and Best Value	AC.2021.4.6
Agenda item 11: Report by Secretary to the Commission	AC.2021.4.7
Agenda item 12: Report by Interim Director of Performance Audit and Best Value	AC.2021.4.8
Agenda item 13: Report by Chair of Audit Scotland Equalities and Human Rights Steering Group	AC.2021.4.9
Agenda item 14: Report by Chair of Audit Scotland Equalities and Human Rights Steering Group	AC.2021.4.10
Agenda item 15: Report by Secretary to the Commission	AC.2021.4.11
Agenda item 16: Report by Interim Chair	AC.2021.4.12
Agenda item 17: Report by Secretary to the Commission	AC.2021.4.13

Agenda item 18: Report by Secretary to the Commission	AC.2021.4.14
Agenda item 19: Report by Secretary to the Commission	AC.2021.4.15

MEETING: 15 APRIL 2021

MINUTES OF PREVIOUS MEETING

Minutes of the 477th meeting of the Accounts Commission held via online meeting on Thursday 11 March 2021, at 9.30am.

PRESENT: Elma Murray (Interim Chair)
Andrew Burns
Andrew Cowie
Sophie Flemig
Sheila Gunn
Christine Lester
Tim McKay
Stephen Moore
Sharon O'Connor
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 15)
Carol Calder, Senior Manager, Performance Audit and Best Value (PABV) (Item 7)
Antony Clark, Audit Director, PABV (Item 7)
Fiona Kordiak, Director of Audit Services (Item 7)
Ashleigh Madjitey, Senior Auditor, PABV (Item 7)
Richard Robinson, Senior Manager, PABV (Item 8)
Owen Smith, Senior Manager, AQA (Item 15)
Mark Taylor, Audit Director, Audit Services and PABV (Items 8 and 10)

Item Subject

1. Apologies for absence
2. Declarations of interest
3. Order of business
4. Minutes of meeting of 11 February 2021
5. Minutes of Financial Audit and Assurance Committee of 25 February 2021
6. Minutes of Performance Audit Committee of 25 February 2021
7. Annual Assurance and Risks Report
8. Briefing: Scottish budget
9. Strategic Alliance between the Accounts Commission and the Improvement Service
10. Financial devolution and constitutional change update
11. Secretary's update report
12. Interim Chair's update report
13. Controller of Audit's update report
14. Any other public business
15. Audit quality developments update (in private)
16. Best Value update (in private)
17. New audit appointments update (in private)
18. Appointment of Interim Controller of Audit (in private)
19. Any other private business

1. Apologies for absence

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

2. Declarations of interest

No declarations of interest were made.

3. Order of business

It was agreed that items 15 to 19 be considered in private because:

- Item 15 requires the Commission to consider a confidential legal matter and proposes a draft policy which the Commission is to consider before publishing.
- Item 16 requires the Commission to consider confidential policy matters.
- Item 17 requires the Commission to consider confidential commercial and contractual matters.
- Item 18 requires the Commission to consider confidential appointment and staffing matters.
- Item 19 may be required if there are any confidential matters that require to be discussed outwith the public domain.

The Interim Chair advised that there was no business to be considered in private for item 19.

4. Minutes of meeting of 11 February 2021

The minutes of the meeting of 11 February 2021 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 4 (second bullet), noted advice from the Interim Chair that the proposed community roundtable events would take place on 17 and 18 March, the papers for which would be shared with members for their information.
- In relation to item 5 (second bullet point), noted advice from the Interim Chair that she, the Interim Deputy Chair and Secretary had met with the Director of PABV to discuss Audit Scotland's Improvement Programme and had agreed that Audit Scotland provide an update to the Commission at a forthcoming meeting.
- In relation to item 5 (third bullet point), noted advice from the Secretary that he had discussed with appropriate Audit Directors the arrangements for future briefings to the Commission on EU withdrawal, which will involve reporting the matter as part of updates on financial devolution and constitutional change.

5. Minutes of Financial Audit and Assurance Committee of 25 February 2021

The minutes of the meeting of the Financial Audit and Assurance Committee of 25 February 2021 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 5 (second bullet), noted advice from the Secretary that he

had shared with members information on his discussion with the Secretary of the Electoral Management Board for Scotland on relevant matters in relation to council capacity in connection with the forthcoming Parliamentary elections.

- In relation to item 5 (third bullet), noted advice from the Secretary that he would update the Commission at its next meeting on ongoing CIPFA consultations on updates to the Prudential Code and the Treasury Management Code.

6. Minutes of Performance Audit Committee of 25 February 2021

The minutes of the meeting of the Performance Audit Committee of 25 February 2021 were approved as a correct record, subject to the first bullet point of item 5 reading:

Noted advice from Mark MacPherson, in response to a point by Stephen Moore, that he would take account of the role played by the third sector in supporting and delivering community justice, in both ongoing engagement with stakeholders and as part of the scoping work for any future performance audit.

Arising therefrom, the Commission:

- In relation to item 4 (third bullet), noted advice from the Secretary that the audit team overseeing the ongoing housing benefit audit on the impact of Covid-19 on benefit services had liaised with the sponsors, Andrew Burns and Andy Cowie, with a view to presenting a draft report to the Commission at its May meeting.
- In relation to item 4 (fourth bullet), noted advice from the Secretary that the Senior Manager PABV had provided members with an update on the outcome of Edinburgh Partnership 's consideration on 15 December of the published Best Value Assurance Report on City of Edinburgh Council.
- In relation to item 5 (first bullet point, as amended above), agreed that the Secretary advise the Director of PABV of the Commission's interest in seeing the proposed Auditor General briefing on alternatives to custody, thus reflecting the Commission's responsibilities in reporting on local government's role in community justice.

Action: Secretary

7. Annual Assurance and Risks Report

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

During discussion, the Commission:

- In response to a point raised by Andrew Cowie on paragraphs 146 to 152 of the AARR, which set out the Controller's conclusion that there are weaknesses with councils' performance reporting and that 25 of 32 councils met the requirements of the Commission's 2018 Statutory Performance Information (SPI) Direction, noted advice from the Secretary that a forthcoming review of council performance in this regard, leading to the Commission considering a 2021 SPI Direction, would provide further analysis.
- Noted advice from the Audit Director, in response to a point raised by Christine Lester, on how the conclusions in the AARR, being based upon annual audit reports from the audit year ending in March 2020, are affected by

the significant changes to the policy environment caused by the Covid-19 pandemic.

- Agreed that, as part of its discussions around its refreshed strategy and work programme, it consider:
 - How audit work continues to reflect councils' self-evaluation of their performance (point raised by Andrew Cowie)
 - How the pace and depth of continuous improvement are reported through audit work (Pauline Weetman)
 - The fit of strategic audit priority 2, namely strategic option appraisal, with the current policy environment (Geraldine Wooley)
 - How the risks identified in Exhibit 2 of the AARR are reflected in audit work (Sheila Gunn)
 - As part of its theme on community empowerment, which it agreed at its February meeting, how progress with council approaches such as participatory budgeting are assessed and reported in audit work (Sharon O'Connor).

Action: Secretary

- Noted advice from the Audit Director, in response to a query from Tim McKay, on how progress against the 2020 performance audit on affordable housing is to be reported, including a scheduled impact report in this regard.
- Agreed that messages from the AARR be promoted in as accessible language as possible, as part of the Commission's communications strategy (Sophie Flemig).

Action: Secretary

- That it further consider its role in contributing to strategic thinking by local government leaders in relation to improvement, including in conjunction as appropriate with the Improvement Service (Sophie Flemig)

Action: Secretary

Following discussion, the Commission agreed to endorse the Annual Assurance and Risks Report and thereby the assurance provided by the Controller of Audit on his reporting to the Commission of matters arising in audit work.

8. Briefing: Scottish budget

The Commission considered a briefing paper by the Audit Director, Audit Services and PABV on the Scottish budget.

During discussion, the Commission:

- Agreed that the forthcoming local government overview report, to be considered at its April meeting, include consideration of matters relating to the local government funding mechanism.
- Noted that Exhibit 2 of the report should be titled "Changes in the in-year budget for 2020/21".

Action: Director of PABV

Following discussion, the Commission noted the briefing paper and commended the Audit Director and his team for the quality of his paper.

9. Strategic Alliance between the Accounts Commission and the Improvement Service

The Commission considered a report by the Secretary proposing a Joint Statement of Intent for a Strategic Alliance between the Accounts Commission and the Improvement Service (IS) and proposing to agree joint priorities for the next 12 months.

Following discussion, the Commission:

- Approved the Joint Statement of Intent for the Strategic Alliance between the Commission and the IS.
- Noted advice from the Secretary that the Joint Statement was considered and approved by the IS Board at its meeting on 5 March 2021.
- Agreed joint priorities for collaborative work for the next 12 months for the Commission and the IS (as proposed in paragraph 5).
- Agreed further to this end, in response to a point made by Geraldine Wooley, that further thought be given to prioritising work with integration joint boards.
- Agreed that the Commission promote the Strategic Alliance with its stakeholders, jointly with the IS as appropriate.
- Agreed that the Commission and the IS jointly review progress in delivering the Strategic Alliance at the end of the first 12 months of its operation.

Actions: Secretary and Director of PABV

10. Financial devolution and constitutional change update

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

During discussion, the Commission:

- Noted advice from the Audit Director, in response to a point made by the Interim Chair, he would keep the Commission updated on the progress of the UK Government Levelling Up Fund.
- Noted advice from the Audit Director, in response to a point made by Andrew Burns, he would keep the Commission updated on the impact on local government of the continued rollout of the delivery of devolved social security benefits.
- Noted advice from the Audit Director that he and Fiona Diggle, Audit Manager were available to liaise with any member with further queries on the paper.

Following discussion, the Commission noted the report and commended the Audit Director and his team for the quality of his paper.

11. Secretary's update report

The Commission considered and noted 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.

The Commission noted advice from the Secretary that, in line with the approach

agreed with Commission members, members had been given the opportunity to provide queries on his report in advance of the meeting, a response to which he would circulate to members.

To this end, the Commission noted in relation to paragraphs 47 (i.e. homeless death rates) and 70 (earnings levels in Scotland), in response to a query from Pauline Weetman, that such reports are picked up as part of Audit Scotland's cluster monitoring arrangements (by the Health Care and Communities cluster for paragraph 47 and by the Public Finances, Investment and Economic Development cluster for paragraph 70). In turn, this monitoring work informs development of the work programme. For planning annual audit reports, if the issue is highlighted as a specific risk, in a specific area, the audit team would consider these national reports during their audit work.

Following discussion the Commission noted the report.

12. Interim Chair's update report

The Commission considered and noted a report by the Interim Chair providing an update on recent and upcoming activity.

13. Controller of Audit's update report

The Commission noted advice from the Interim Chair that in line with arrangements she had agreed with the Secretary and Audit Scotland to ensure that Controller of Audit support for the Commission continues in the period up to the appointment of a new postholder, she could advise that there were no Controller of Audit matters requiring the Commission's attention at this time.

14. Any other public business

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

15. Audit quality developments update (in private)

The Commission considered a report by the Associate Director, AQA, providing an update on key audit quality developments in AQA, including the draft Audit Quality Complaints procedure, ICAS contract extension, and transparency of audit quality reporting.

During discussion on the draft Audit Quality Complaints Procedure, the Commission:

- Agreed that AQA consider various points raised by members in relation to the wording of the draft procedure.
- Noted that AQA would liaise specifically to this end with Sheila Gunn and Pauline Weetman, and any other members if they desire.
- Agreed to note that AQA would submit a further draft of the Audit Quality Complaints Procedure to the Commission at a future meeting for its endorsement.
- Noted advice from the Associate Director, in response to a query from Christine Lester, that she would consider how the procedure is shared with audit providers, including how this is disseminated within audit providers.
- Noted advice from the Associate Director, in response to a query from Pauline Weetman, that she would consider how the procedure manages

confidentiality, including scope for obligations on complainants in this regard.

Actions: Associate Director, AQA

Following discussion, the Commission:

- Noted the intention of the Associate Director to seek legal advice on the efficacy of the new Appointment Letter and Audit Quality Complaints Procedure as part of the ongoing new audit appointments process.
- Noted that AQA had agreed with ICAS (The Institute of Chartered Accountants of Scotland) a one-year extension to its contract to provide independent assurance on the performance of auditors as part of audit quality reporting.
- Noted the report.

16. Best Value update (in private)

The Commission considered a report by the Secretary providing an update on matters relating to Best Value.

The Commission:

- Agreed to the recommendation of the Best Value Working Group that the previously agreed schedule for the Commission considering Best Value Assurance Reports be revised accordingly, to reflect pressures on auditors and audited bodies arising from the Covid-19 pandemic:
 - South Ayrshire Council: October 2021 (previously August 2021)
 - Falkirk Council: January 2022 (previously November 2021).
- Noted the report, including the latest conclusions of the Best Value Working Group.
- Noted the progress of the stakeholder engagement plan.

17. New audit appointment update (in private)

The Commission considered a report by the Interim Chair providing an update on the progress made with new audit appointments and seeking the Commission's agreement to proposed future tendering arrangements.

Following discussion, the Commission:

- Agreed the recommendation of the New Audit Appointments Steering Group with regard to future tendering arrangements.
- Agreed that the Interim Chair respond to the letter from the Associate Director, AQA seeking agreement to this end, as attached to the report.

Action: Interim Chair

- Noted the report.

18. Appointment of Interim Controller of Audit (in private)

The Commission considered and noted a verbal update from the Interim Chair on the appointment of an Interim Controller of Audit.

The Commission agreed to seek the approval of the Minister for Local Government, Housing and Planning to appoint Antony Clark as Controller of Audit on an interim basis for a period of 12 months forthwith, in accordance with Section 97(4) of the Local Government (Scotland) Act 1973

19. Any other private business

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

Close of meeting

The meeting closed at 12.55pm.

MEETING: 15 APRIL 2021

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND BOARD UPDATE

Purpose

1. This report provides an update on the business of the Audit Scotland Board.

Background

2. Audit Scotland is established in statute to “provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions”.¹
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.² These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.³
4. As well as being a member of Audit Scotland’s Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.
5. In [Public Audit in Scotland](#)⁴, the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that “by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.”
6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland Board.

Current Board business

7. This report provides the Commission with the latest available minutes from the meeting of the Audit Scotland Board, in this case the meeting of 27 January 2021. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 24 March 2021, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 19 May 2021 and considered by the Commission at its June meeting.

¹ Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

² Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

³ The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland’s proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor’s report before the Parliament; and (d) appoint three of the five members of Audit Scotland’s Board, including its Chair.

⁴ *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest and invites questions from members to this end.

Conclusion

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

Paul Reilly
Secretary to the Commission
1 April 2020

Minutes

Wednesday 27 January 2021, 10.00am

Audit Scotland by Video conference

Present:

Alan Alexander (Chair)
Stephen Boyle
Elma Murray
Jackie Mann
Colin Crosby

Apologies:

There were no apologies.

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Associate Director, Corporate Performance and Risk
Fraser McKinlay, Director of Performance Audit and Best Value
Mark Roberts, Audit Director, Performance Audit and Best Value
Elaine Boyd, Associate Director, Audit Quality and Appointments
Gayle Fitzpatrick, Corporate Governance Manager

1. Private meeting of Board members

The Board met privately and noted the resignation of Fraser McKinlay, Director of Performance Audit and Best Value and Controller of Audit. Stephen Boyle, Accountable Officer, advised of his intention to seek Board approval, in accordance with the Scheme of Delegation, to appoint an interim Director of Performance Audit and Best Value.

Following discussion, members noted the proposal to seek Board approval for an interim appointment.

Action ASB128: Stephen Boyle to seek Board approval for the proposal to appoint an interim Director of Performance Audit and Best Value. (January 2021)

2. Welcome and apologies

The Chair welcomed attendees to the meeting.

3. Declarations of interest

There were no declarations of interest.

4. Chair's report – verbal update

The Chair advised of the Scottish Commission for Public Audit (SCPA) session on 15 January 2021 to consider Audit Scotland's Spring Budget Revisions and 2021/22 Budget submission and members noted that the SCPA will come back to Audit Scotland with a decision on its budget in due course. The members noted that the Official Report of the meeting appears at item 14 of today's agenda. The Chair paid tribute to the work of colleagues on the preparatory information and support provided in advance of the meeting with the SCPA.

The Chair advised of regular scheduled meetings with Stephen Boyle, Accountable Officer, Elma Murray, Interim Chair of the Accounts Commission and Diane McGiffen, Chief Operating

Officer. In addition, the Chair invited members to note further engagement with Stephen Boyle following the resignation of Fraser McKinlay, Director of Performance Audit and Best Value.

The Chair also invited members to join him in congratulating Caroline Gardner, former Auditor General for Scotland, on the CBE awarded to her in the New Year's Honours list, and agreed to write a letter of congratulation to Caroline on behalf of the Board.

The Board welcomed the update.

5. Accountable Officer's report – verbal update

Stephen Boyle invited the Board to note it had been a busy period since the last meeting of the Board on 25 November 2020.

Stephen advised of regular meetings with Elma Murray and with the Chair, reflected on the session with the SCPA during which Audit Scotland had set out the value of public audit and sought the Commission's ongoing support in light of the challenges faced during this and the next financial year.

Turning to Parliamentary business, Stephen advised of the publication of five Section 22 reports on NHS and Central Government bodies, subsequent briefings of the Public Audit and Post Legislative Scrutiny Committee (PAPLS) and that further evidence sessions were scheduled throughout January 2021. The Board noted the briefing to the Social Security Committee following the Section 22 report on Social Security Scotland.

Stephen advised of other Parliamentary engagement which had included meetings with the respective Convenors of the PAPLS Committee, the Health and Sport Committee and the Education and Skills Committee. Stephen invited members to note that committees are currently considering their legacy reports as Session 6 of the Scottish Parliament comes to a conclusion.

Stephen advised of other external engagements, including attendance at the Accounts Commission's Insight session which included Jim McCormick, the former Chief Executive of Joseph Rowntree Foundation who had presented on the impact of poverty in Scotland. Stephen also advised of introductory meetings with the Chief Executives of CIPFA, the Care Inspectorate and Scottish Futures Trust.

Stephen advised of formal engagement with the Scottish Government Executive team, Permanent Secretary and Directors General before the Scottish Government Audit Committee at the beginning of December 2020, prior to his signing of the independent auditor's report. Stephen also highlighted ongoing engagement with the other Auditors General from across the UK.

Stephen advised that he had participated in a Fraser of Allander webinar about public finances and had been interviewed by the Holyrood Magazine on his role as the Auditor General for Scotland.

The Board welcomed the update.

6. Accounts Commission Chair's report – verbal update

Elma Murray advised of recent publications by the Accounts Commission including Digital Progress in Local Government, their first e-Newsletter for Councillors and Chief Officers across Scotland and the annual Local Government Financial Overview report which was published on 26 January 2021.

Elma advised that the Accounts Commission had met on 14 January 2021 and thanked Diane McGiffen for providing a briefing on Audit Scotland's organisational priorities. Elma advised that an extra meeting of the commission would take place on 28 January to discuss the Educational Outcomes draft report which is scheduled to be published in March 2021.

Elma invited the Board to note that the Commission members have agreed a Communications Plan for future engagement. In February 2021, as part of the Commission's Insight Programme, three third sector representatives will be speaking about their work with councils and the impact of the pandemic. Elma agreed to extend an invitation to this session to Stephen Boyle, Fiona Kordiak and any member interested in attending.

Elma advised that the Strategic Scrutiny Group had developed a workplan for 2021/22 that its next meeting would welcome Fiona Duncan, Chair of #ThePromise Oversight Board to discuss their work. She also invited members to note that Brian McNulty, Lead Inspector, HMICS would be chairing the operational group going forward with support from Audit Scotland.

Elma invited the Board to note that the Best Value Working Group will now meet every three weeks until the end of March 2021 with ongoing engagement and consultation meetings scheduled.

Elma also advised of other external engagement with SOLACE, CIPFA, Directors of Finance and Executive Committee and a meeting with Integrated Joint Board Chief Officers. In addition, Elma advised of a meeting with the Improvement Service Board and the intention to develop a partnership between the Accounts Commission and the Improvement Service which will focus on support for IJBs. Elma also advised of a meeting with the co-Chairs of the Shared Intelligence Hub run by Health Improvement Scotland and NES.

The Board noted the report on the European Charter of Local - Government (Incorporation) (Scotland) Bill and the potential constitutional implications for local government.

Following discussion, the Board welcomed the update.

7. Review of minutes:

Board meeting: 25 November 2020

The Board considered the minutes of the meeting of 25 November 2021, which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting. The Board noted the revised format of minutes, and Jackie Mann advised that she would adopt a similar style for future Remuneration and Human Resource Committee meetings.

8. Governance arrangements: Review of Standing Orders

Martin Walker introduced the Governance arrangements: Review of Standing Orders report, copies of which were previously circulated.

Martin invited the Board to consider the report and proposals to enable the public to access future Board meetings and for the Chair to record a short video summary of the Board meeting to be made available on the website thereafter.

The Board considered the process for managing public attendance at virtual meetings, the security of systems and the communication channels to be used.

Martin provided assurance around the digital security arrangements and management of attendees in relation to public and private items of business.

Following discussion, the Board welcomed the proposals and noted that longer term options for public meetings and engagement channels will be considered at the next meeting of the Board on 24 March 2021 as part of the wider review of governance.

Action ASB129: Martin Walker to report on longer term options in relation to public meetings. (March 2021)

9. Review of action tracker

The Board noted the updates provided on the action tracker.

The Board agreed that action ASB126 be discussed further under item 10, Strategic Improvement Programme update.

10. Strategic improvement programme update

Fraser McKinlay, Director of Performance Audit and Best Value, joined the meeting.

Martin Walker introduced the Strategic improvement programme update, copies of which had been previously circulated.

Martin invited the Board to note the update on the strategic improvement programme.

The Board considered the progress reported on the rolling work programme, developments on the new audit appointments (which would be considered at item 12 of today's item), developments on the building capacity workstream and the supporting recruitment campaign, the appointment of a project lead for the replacement electronic working papers system and noted that all colleagues had now migrated to a single time recording system. The Board noted the importance of the development of audit methodologies and the key role of digital to enable research, development and delivery of financial and performance audit. Martin Walker advised that the Digital Audit Strategy and the Digital Services Strategy were scheduled to come to the Board at its next meeting on 24 March 2021.

Looking forward, the Board recognised the challenges for Audit Scotland and agreed priorities and timelines will need to be monitored and adjusted where appropriate and members welcomed Fraser McKinlay's focus and contribution to the ongoing development of the programme.

In relation to action ASB126 referred to above, the Board agreed to explore the Public Audit in Scotland model and how this supports partnership review and future engagement with the Auditor General for Scotland and the Accounts Commission on key strategic objectives at its forthcoming workshop.

Action ASB130: The agenda for the forthcoming Board workshop to consider the Public Audit in Scotland model and partnership working. (March 2021)

Following discussion, the Board noted the report.

Fraser McKinlay, Director of Performance Audit and Best Value, left the meeting

11. Implications of European Union withdrawal report

Mark Roberts, Audit Director, Performance Audit and Best Value, joined the meeting.

Mark Roberts introduced the Implications of European Union withdrawal report, copies of which had been previously circulated.

Mark invited the Board to note ongoing monitoring in relation to data sharing agreements between the UK and EU given the potential significant risks for public bodies, future developments around the EAFA audit work in terms of scope of work and funding arrangements, the ongoing monitoring of the Internal Market Act and how that will operate, the implications for Audit Scotland and the wider Scottish public sector workforce.

The Board welcomed the update and agreed that future reporting to the Board would be scheduled when specific updates are appropriate.

Mark Roberts, Audit Director, Performance Audit and Best Value, left the meeting.

12. New audit appointments update report

Elaine Boyd, Associate Director, Audit Quality and Appointments, joined the meeting.

The Chair introduced the New audit appointments update report, copies of which had been previously circulated.

The Chair invited members to note the progress reported, highlighted the overall improvement to the project's risk profile and the imminent appointment of a new Project Manager, details of which would be confirmed shortly.

The Chair advised members that further consultation and market engagement was underway and procurement advice has been sought on the option to further extend the current audit appointments or proceed to tender. These will be considered at the Steering Group meeting on 17 February 2020.

The Board considered the proposed high level principles of a limited scope of audit for small and less complex bodies and the implications in relation to an ISA compliant audit and welcomed the sequencing of engagement with the Auditor General for Scotland and Accounts Commission prior to the Board being invited to consider the Steering Group's recommendation on the current audit appointments.

Following discussion, the Board welcomed the update.

Elaine Boyd, Associate Director, Audit Quality and Appointments, left the meeting.

13. Covid-19 update

Martin Walker introduced the Covid-19 update report, copies of which had been previously circulated.

Martin invited the Board to note the actions taken to date in respond to the Covid-19 pandemic, the ongoing actions and next steps.

The Board noted the latest data which indicate that infection rates were slowing, hospital admissions were stabilising and the rollout of vaccinations.

Members reflected on the continuing organisational pressures for Audit Scotland and its staff as they respond to the increased lockdown restrictions and recognised that despite this 96 per cent of the 2019/20 financial audits had been completed.

Following discussion, the Board welcomed the report and the regular communication and support for colleagues.

14. Scottish Commission for Public Audit: Official report

Diane McGiffen introduced the Scottish Commission for Public Audit: Official report, copies of which had been previously circulated.

Diane invited the Board to note the Official report from the virtual meeting with the SCPA on 15 January 2021 which considered Audit Scotland's Spring Budget Revisions and 2021/22 Budget submission.

The Board noted the commission's interest around Audit Scotland's property portfolio and pension arrangements and agreed that the Remuneration and Human Resources Committee would consider Audit Scotland's pension arrangements as required and asked Stuart Dennis, Corporate Finance Manager, to consider Audit Scotland's future property portfolio.

Following discussion, the Board noted the report and agreed that further consideration of Audit Scotland's medium and longer term fees and funding strategy was required.

Action ASB131: Consideration of Audit Scotland's medium and longer term fees and funding model to be scheduled. (March 2021)

15. Records management plan 2021-2026 report

Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.

Gayle Fitzpatrick introduced the Records management plan 2021-2026 report, copies of which had been previously circulated.

Gayle invited the Board to consider and approve submission of the new joint Records Management Plan on behalf of the Auditor General for Scotland, Accounts Commission and Audit Scotland to the National Records of Scotland by 29 January 2021.

The Board considered the annual review process undertaken of related policies and the two most recent ISO recertification audits which had resulted in no recommendations for improvement. The Board also noted the process for the confidential storage and destruction arrangements of documents while working virtually and welcomed further engagement by the Corporate Governance team with the Secretary and the Accounts Commission on governance matters.

Following discussion, the Board approved the updated Records Management Plan for submission to the National Records for Scotland by 29 January 2021.

Following discussion, the Board welcomed the report and approved the submission of the Records Management Plan to National Records of Scotland.

Action ASB132: The approved Records Management Plan 2021-26 to be submitted to the National Records of Scotland. (January 2021)

Gayle Fitzpatrick left the meeting.

16. Any other business

Diane McGiffen shared with members a summary of the annual stakeholder engagement survey which is scheduled to come to the Board at its meeting on 24 March 2021. The Board welcomed the summary and the positive assurance this provided in light of forthcoming Parliamentary changes and anticipated challenges for public audit in Scotland.

There was no further business.

17. Publication of papers

The Board considered and agreed the publication of the reports with the exception of item 12 (New audit appointments update report) due to the commercially sensitive information contained therein and item 15 Records Management Plan as this was due to future publication.

18. Review of meeting

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful consideration and detailed discussion.

The Chair thanked everyone for their contributions.

19. Date of next meeting: 24 March 2021

The members noted the next meeting of the Audit Scotland Board is scheduled for 24 March 2021.

Agenda

Wednesday 24 March 2021 at 10.00am

By Teams

-
1. Private meeting of Board members
 2. Welcome and apologies
 3. Declarations of interests
 4. Items to be taken in private For approval

Standing items

5. Chair's report – verbal update For information
6. Accountable Officer's report – verbal update For information
7. Accounts Commission Chair's report – verbal update For information
8. Review of minutes:
 - Board meeting: 27 January 2021 For approval
 - Audit Committee meeting: 4 November 2020 For information
9. Governance arrangements: Review of Standing Orders For information
10. Review of action tracker For information
11. Covid-19 update For information

Strategic priorities

12. Strategic improvement programme For information
 - Digital audit strategy For discussion
 - Digital services strategy For approval

Business planning, performance and governance

13. Operational budget 2021/22 For approval
14. Q3 Financial performance report For information
15. Q3 Corporate performance report For information
16. Best Companies survey results For information
17. Financial devolution and constitutional change update For information
18. Corporate governance review of Board arrangements For approval
19. Data protection policy For approval

Conclusion

- 20. Any other business
- 21. Review of meeting
- 22. Date of next meeting: 19 May 2021

Items to be taken in private

- | | |
|--|------------------------------|
| 23. New audit appointments update
[Item to be taken in private to support the effective conduct of business, commercial sensitivity) | For information/
approval |
| 24. Proposed equalities outcomes 2021-2025
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For discussion |
| 25. 2020 Stakeholder engagement report
[Item to be taken in private to support the effective conduct of business] | For information |
| 26. 2020/21 Annual report
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For discussion |

MEETING: 15 APRIL 2021

REPORT BY: INTERIM CHAIR OF ACCOUNTS COMMISSION

INTERIM CHAIR'S UPDATE REPORT

Purpose

1. This report provides an update on the engagements and work of the Interim Chair of the Accounts Commission.

Engagement and Audit Scotland business

2. The engagements and work in the period from 1 to 31 March have been as follows:

Audit Scotland Board and Committee meetings

- 3 March – Audit Committee and Remuneration and Human Resources Committee (RemCo) meetings. The main items discussed were:
 - RemCo – 2021 Reward strategy report; the Diversity and Equality inclusion update report; and the People Strategy and Workforce Plan.
 - Audit Committee – Audit delivery 2019/20; Audit quality update; Q3 Financial performance report; a number of Internal and External Audit reports; review of Risk Management Framework; review of risk register; Annual review of business continuity arrangements 2021 and Governance updates.
- 10 March – Audit Scotland Board development discussion with Judith Strange, external consultant, in advance of workshops scheduled for 31 March and 10 May.
- 24 March – Audit Scotland Board Meeting. The main items of substance discussed were the outcome from the Review of Governance arrangements; Strategic Improvement Programme update; Business planning, performance and governance; an update on the New Audit Appointments project; 2020/21 Annual report; Proposed equalities outcomes 2021-2025 and 2020 Stakeholder engagement report. Copies of the key papers have been loaded onto the Commission's SharePoint site and brought to members attention.
- 31 March – Audit Scotland Board development workshop.

Audit Scotland engagement

- 3/8 March – Shortlisting and interviews for Interim Controller of Audit.
- 4 March – Monthly catch up with Diane McGiffen, Chief Operating Officer.
- 4 March – Catch up with David Blattman, HR & OD Manager.
- 15 March – Catch up with Fraser McKinlay, outgoing Controller of Audit and Director of Performance and Best Value, to discuss his thoughts on the role of the Controller of Audit.
- 17 March – Catch up with Stephen Boyle, Auditor General for Scotland and Accountable Officer, Audit Scotland.

- 17 March – New Audit Appointments Steering Group meeting.
- Feedback discussions with Audit Scotland colleagues on Interim Controller of Audit interviews.

External engagement

- 2 March – Strategic Scrutiny Group pre meeting with Fiona Duncan, Chair of The Promise Oversight Board, and Mark Roberts, Audit Director and Strategic Scrutiny Group Secretary.
- 9 March – Strategic Scrutiny Group Meeting – update will be shared with members at the May Commission meeting.
- 17/18 March – Accounts Commission Roundtables. Update email from Lucy Carter, Policy Manager, shared with members on 23 March 2021.
- 23 March – Observation of Scottish Council for Voluntary Organisations board meeting with Tim McKay, Interim Deputy Chair. This was an action to support our development.
- 24 March – Introductory meeting with David Robb, new Interim Director for Local Government & Communities at Scottish Government.
- 31 March – Catch up with Brenda Campbell, Deputy Director for Local Government at Scottish Government, to provide an update on the Commission work programme and strategy and discuss ongoing changes in the Civil Service.

Commission business, development and support

3. Commission business has been as follows:

- Weekly catch ups with Paul Reilly, Secretary to the Commission, and Jillian Elgin, Executive Assistant.
- 2 March – Preparatory meeting for March Commission meeting with Paul Reilly and Tim McKay.
- 10 March – Accounts Commission pre meeting with Commission members.
- 10 March – Monthly sponsor catch up with Tim McKay and Local Government Overview team to discuss the approach, timing, and emerging messages for the Local Government Overview due for publication in May.
- 10 March – Strategic Improvement Programme catch up with Fraser McKinlay, Martin Walker, Associate Director, Corporate Performance and Risk, and Paul Reilly, Commission Secretary.
- 11 March – Accounts Commission meeting.
- 11 March – Commission Insight session.
- 15 March – Catch up with Tracey Bray, Senior Business Partner, HR & OD.
- 16 March – Catch up with Tim McKay.
- 18 March – Forward Planning meeting with Tim McKay, Paul Reilly, Lucy Carter and Jillian Elgin, Commission Support Team.
- 18 March – Preparatory meeting for Education outcomes media with Patrick McFall, Communications Adviser.
- 22 March – Education outcomes media with Patrick McFall.

- 30 March – Best Value Working Group meeting. Updates are shared with Commission members at each monthly Commission meeting as a standing item on our agenda.
- 31 March – Strategic Scrutiny Group follow-up meeting with Gemma Diamond, Mark Roberts, Strategic Scrutiny Group Secretaries, and Mark McCabe, Audit Manager.
- 31 March – Communications monthly catch up meeting with Paul Reilly, Lucy Carter, Craig Flannigan and Joanna Mansell, Communications Team, to discuss Accounts Commission communications, engagement and public profile.
- 31 March – Monthly sponsor catch up and draft report discussion with Tim McKay and Local Government Overview team to discuss the approach, timing, and emerging messages for the Local Government Overview due for publication in May.
- 31 March – Preparatory meeting with Carol Calder, Senior Audit Manager, to discuss Regional Networks of Registered Tenant Organisations and their enquires.

4. Other areas of work have included:

- Working on the recruitment for the Interim Controller of Audit appointment.
- Research and preparation for media and promotion for Education outcomes report.
- Preparation for the Audit Scotland Board development workshop.

Forthcoming activities

5. My forthcoming engagement activities include:

- Weekly catch ups with Paul Reilly and Jillian Elgin.
- 1 April – Strategic Scrutiny catch up with Brian McNulty, Chair of Strategic Operational Group, and Mark Roberts, Strategic Scrutiny Group Secretary.
- 1 April – Action Tracker review meeting with Paul Reilly, Jillian Elgin and Lucy Carter.
- 1 April – Digital Strategy catch up with David Robertson, Digital Services Manager, in preparation for his update to the Commission in May.
- 5 – 9 April – Annual leave.
- 12 April – Regular catch up with Alan Alexander, Audit Scotland Board Chair.
- 13 April – Antony Clark, new Interim Controller of Audit.
- 14 April – Accounts Commission pre meeting.
- 14 April – Best Value Working Group.
- 14 April – Forward Planning meeting.
- 14 April – Catch up with Caroline Gardner.

Conclusion

6. The Commission is invited to:

- a) note this report and enquire about any areas of interest

- b) consider whether there are any changes that they would wish to see to the format and content of the report for the future.

Elma Murray
Interim Chair
5 April 2021

MEETING: 15 APRIL 2021

REPORT BY: CONTROLLER OF AUDIT

CONTROLLER OF AUDIT REPORT

Purpose

1. This report provides an update on my engagement activity following my confirmation as Interim Controller of Audit by the Minister for Local Government, Housing and Planning on 16 March 2021.

Engagement

2. Please note below my engagements in March:
 - **19, 23 and 30 March** – Transition planning and handover discussions with Fraser McKinlay.
 - **22 March** – COSLA/Scottish Parliament Information Centre (SPICe). Local government finances meeting.
 - **23 March** – Four Nations (National Audit Office, Audit Scotland, Wales Audit Office, Northern Ireland Audit Office) Covid-19 co-ordination meeting.
 - **24 March** – Audit Scotland Board meeting.
 - **26 March** – Scottish Leaders Forum (SLF) accountabilities and incentives action group meeting. This cross-public service action group is looking at the extent to which systems of budgeting, financial reporting and performance accountability support are outcomes-based and aligned to National Performance Framework (NPF) goals.
 - **29 March** – Audit Partners meeting. This meeting considered the impact of Covid-19 on audited bodies, our joint approach to following the pandemic pound audit work and early issues arising from this year’s annual audit work.
 - **31 March** – Joe Griffin, Director General Education and Justice. Initial meeting to discuss areas of shared interest and future joint working.

Conclusion

3. Commission members are invited to note this report.

Antony Clark
Interim Controller of Audit
31 March 2021