

MEETING: 11 MAY 2017**MINUTES OF PREVIOUS MEETING**

Minutes of the 435th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 13 April 2017, at 10.15am

PRESENT: Ronnie Hinds (Acting Chair)
Alan Campbell
Sandy Cumming
Sophie Flemig
Sheila Gunn
Tim McKay
Christine May
Stephen Moore
Graham Sharp
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)
Tim Bridle, Technical Adviser, Audit Strategy [Item 8]
Antony Clark, Assistant Director, PABV [Item 11]
Russell Frith, Assistant Auditor General [Items 8 and 9]
Diane McGiffen, Chief Operating Officer [Item 10]
Jillian Matthew, Audit Manager, PABV [Item 12]
Fiona Mitchell-Knight, Assistant Director, Audit Services [Item 13]
Paul O'Brien, Senior Manager (Technical), Audit Strategy [Item 9]
Martin Walker, Assistant Director, Corporate Services [Item 10]
Gillian Woolman, Assistant Director, Audit Services [Item 12]

<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 March 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.	CIPFA Consultations on the Prudential Code and Treasury Management Code of Practice
9.	Form and content of 2016/17 Independent Auditors' Reports
10.	Audit Scotland Update
11.	Strategic Scrutiny Group Update
12.	Equality outcomes: reflecting back and looking forward
13.	The new approach to auditing Best Value - reporting
14.	Commission business matters

Acting Chair

Ronnie Hinds advised that the Minister for Local Government and Housing had notified him that he was content for him to serve as Acting Chair of the Commission until a permanent Chair is appointed, the process for which is now underway.

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:

- Alan Campbell, in item 8, as an author of the current CIPFA (Chartered Institute of Public Finance Accountants) Prudential Code for Capital Finance in Local Authorities.
- Sheila Gunn, in item 6, as a non-executive Director of the Wheatley Group, concerning its relationship with Glasgow City Council, in relation to references to housing matters.
- Christine May, in items 8, 9 and 12, as 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 10, as it involves discussion on matters relating to the Commission's relationship with Audit Scotland, which may involve confidential issues which the Commission would wish to consider in private.
- Item 11, as it presents an update on discussions with strategic scrutiny partners which may include confidential policy matters that the Commission would wish to discuss in private before proceeding.
- Item 12, as it proposes draft reports that the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 13, as it presents proposals around operational matters relating to the new approach to auditing Best Value, which the Commission may wish to discuss with the Controller of Audit before informing stakeholders.

The Chair advised that there was no business for item 14 and thus would not require discussion.

4. Minutes of meeting of 9 March 2017

The minutes of the meeting of 9 March 2017 were approved as a correct record.

Arising therefrom, in relation to item 12, advice was noted from the Secretary that:

- The latest meeting of the Board of the Local Government Benchmarking Framework (LGBF), which he attends as an observer, took place on 31 March, at which the strategic plan for the project was discussed. He had raised as part of this discussion the areas of interest in the initiative expressed by the Commission. The development of the plan remains ongoing.
- The Chair would be meeting representatives of the LGBF Board in coming weeks as part of the Commission's regular communication with the Board, at which would also feature the areas of interest to the Commission.

5. 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 the Commission would be considering at its June meeting a paper from Audit Scotland on draft proposals for a quality assurance framework.

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 agreed:

- In relation to paragraph 34, to note advice from the Secretary that the Local Government and Communities Committee had launched an inquiry on city region deals, including a call for views.

It was agreed that due to the tight timescale set by the Committee for responses, the Chair would agree the terms of a response, to be reported to the Commission at its next meeting.

Action: Secretary

- In relation to paragraph 31, arising from a query by Geraldine Wooley, that further information be provided on the impact of the 2017 revaluation on rateable values and non-domestic rates bills.

Action: Director of PABV

Following discussion, the Commission agreed to note 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 noted an update from the Controller of Audit on the progress of the working group established by the Scottish Government and COSLA, meetings of which he attends as an observer, on a refresh of the statutory guidance in relation to Best Value.

Following discussion, the Commission noted the update.

8. Consultations: CIPFA Prudential Code and Treasury Management Code of Practice

The Commission considered a report by the Secretary to the Commission seeking the Commission's view about whether it would wish to respond to CIPFA's consultations on the Prudential Code and the Treasury Management Code of Practice and to agree the process for finalising the response.

During discussion, the Commission agreed:

- To respond to both consultations.
- The terms of a response to the consultations.

- To delegate responsibility for signing off the response to the Acting Chair and the sponsors of the performance audit *Borrowing and Treasury Management*, Graham Sharp and Pauline Weetman

Action: Secretary and Director of PABV

9. Form and content of 2016/17 independent auditors' reports:

The Commission considered a report by the Assistant Auditor General seeking the Commission's approval of a revised form of independent auditor's reports in respect of local authorities, local authority pension funds and section 106 charities for 2016/17.

Following discussion, the Commission:

- Noted advice from the Assistant Auditor General that he would provide further information on the implications for auditing responsibilities of the use of capital bonds by councils.
- Noted advice from the Assistant Auditor General that he would inform auditors of a slight revision to the Code of Audit Practice in order to reflect the new model independent auditor's reports.
- Approved the model independent auditor's reports for local authorities, local authority pension funds and section 106 charities.

Actions: Assistant Auditor General

10. Audit Scotland Update

Diane McGiffen and Martin Walker provided a presentation on the ongoing strategic business of Audit Scotland.

During discussion, it was noted that Audit Scotland would be taking forward the Commission's conclusions from its Strategy Seminar and in its revised Strategy to ensure reflection in its Corporate Plan.

Following discussion, the Commission noted the presentation.

11. Strategic Scrutiny Group Update

The Commission considered a report by the Director of PABV updating the Commission on the progress of the Strategic Scrutiny Group (SSG), particularly in relation to: the Commission's joint work programme with the Auditor General; and the SSG's short-life working group on the role of scrutiny in the 21st century.

During discussion, the Commission agreed:

- To note advice from the Director that there would be a focus in the immediate business of the SSG on the implications for scrutiny of the community empowerment agenda.
- To note that the potential areas of collaboration identified by the SSG corresponded well with the Commission's joint work programme with the Auditor General.
- To note in particular the mutual interest of the Commission and SSG in children's services and in mental health.
- That it should continue to lead and explore with partners in the SSG how it can progress joint working in relation to the closing the gap in outcomes between the least and most deprived communities in Scotland.

- To note advice from the Director on the reflections of the SSG on a pilot of citizen scrutiny in Blairgowrie, led by Education Scotland, in particular noting that any further activity around such an initiative would be subject of further discussion by the SSG.
- To note advice from the Director on ongoing collaboration between SSG members on data management.
- Noted that the Commission's Acting Chair would take forward these various matters in his role as Acting Chair of the SSG.
- Noted that the Director would provide a further update to the Commission following the next meeting of the SSG, which is scheduled for May.

Actions: Director of PABV

12. Equality outcomes: reflecting back and looking forward

The Commission considered a report by the Chair of Audit Scotland's Diversity and Equality Steering Group (DESG) proposing two draft reports for publication setting out how the Accounts Commission and Audit Scotland are demonstrating their duties under the Equality Act 2010.

Following discussion, the Commission:

- Agreed a number of revisions to the draft, to be taken forward by the Chair of the DESG.
- Approved the reports for publication by the end of April 2017.

Action: Chair of DESG

13. The new approach to auditing Best Value - reporting

The Commission considered a joint report by the Secretary and the Controller of Audit seeking the Commission's views on a number of matters around the reporting of outputs from the new approach to auditing Best Value, in the run-up to considering the first Best Value Assurance Report at its May meeting.

During discussion, the Commission agreed:

- That the BVARs include recommendations from the Controller of Audit for the Commission to formally endorse, or otherwise, as it sees fit.
- To note how it can use its findings.
- To endorse the proposed approach to following up BVARs and Commission findings.
- To note the potential use of hearings in the new approach to auditing Best Value.
- To continue the use of engagement meetings with councils as part of the new approach.

Action: Controller of Audit

- To review the first tranche of BVARs around February 2018, the scope of which includes the matters set out above.

Action: Secretary and Controller of Audit

14. Commission business matters

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