

MEETING: 12 DECEMBER 2019

MINUTES OF PREVIOUS MEETING

Minutes of the 462nd meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 14 November 2019, at 10.00am.

PRESENT: Graham Sharp (Chair)
Andrew Burns
Andrew Cowie
Sophie Flemig
Sheila Gunn
Christine Lester
Tim McKay
Elma Murray
Stephen Moore
Sharon O'Connor
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)
Antony Clark, Audit Director, PABV (Item 10)
Lisa Duthie, Senior Auditor, Audit Services (Item 7)
John Gilchrist, Manager, Audit Quality and Appointments (AQA) (Item 12)
Brian Howarth, Audit Director, Audit Services (Item 7)
Robert Leask, Project Manager, AQA (Item 9)
Chris Lewis, Senior Auditor, PABV (Item 7)
Fiona Mitchell-Knight, Audit Director, Audit Services (Item 8)
Paul O'Brien, Senior Manager, Professional Support (Item 11)
Kathrine Sibbald, Audit Manager, PABV (Item 7)
Gordon Smail, Audit Director, Professional Support (Item 11)
Owen Smith, Senior Manager, AQA (Item 12)
Rikki Young, Business Manager, PABV (Item 10)

Item Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 14 November 2019
5. Update report by the Secretary to the Commission
6. Update report by the Controller of Audit
7. Local Government in Scotland: financial overview 2019 – draft report (in private)
8. Proposed Best Value auditing approach in councils from 2021/22 (in private)
9. Audit appointments and new Code of Audit Practice - update (in private)
10. Strategic risks, priorities and Commission reporting responses – proposed stakeholder consultation (in private)
11. Review of local authority financial reporting and external audit in England: call for views – proposed Commission response (in private)
12. National Audit Office: New Code of Audit Practice: consultation – proposed Commission response (in private)
13. Commission business matters

1. Apologies for absence

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

2. Declarations of interest

The following declaration of interest was made:

- Elma Murray, in item 7, as a former officer of Glasgow City Council and chief executive of North Ayrshire Council, in relation to references to those councils in the report.

3. Decisions on taking business in private

It was agreed that item 7, 8, 9, 11,12 and 13 be considered in private because:

- Item 7 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 8 proposes an approach to auditing Best Value which will require the Commission to consider confidential policy, business and commercial matters.
- Item 9 requires decisions on a various aspects of the approach to new audit appointments and associated Code of Audit Practice, which will require the Commission to consider confidential policy, business and commercial matters.
- Items 11 and 12 propose responses to consultation exercises which may require the Commission to consider confidential policy matters.
- Item 13 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 Commission decided to take item 10 in public.

4. Minutes of meeting of 10 October 2019

The minutes of the meeting of 10 October 2019 were approved as a correct record.

5. Update report by the Secretary to the Commission

The Commission considered 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.

During discussion, the Commission agreed:

- In relation to paragraph 21, not to respond to the Scottish Government consultation on youth justice standards, but to retain a watching brief on the matter.

Action: Secretary and Director of PABV

- In relation to paragraph 23, to note the relevance of Pupil Equity Funding to the ongoing performance audit on educational attainment.
- In relation to paragraph 30, to note its continuing interest in matters associated with remote and rural communities.
- In relation to paragraphs 73 and 74, to retain an interest in developments with political leadership in Perth and Kinross Council.

Action: Controller of Audit and Secretary

Following discussion, the Commission agreed to note the report.

6. Update report by the Controller of Audit

The Commission noted a verbal update from the Controller of Audit on his recent activity.

7. Local Government in Scotland: financial overview 2019 – draft report (in private)

The Committee considered a report by the Director of PABV proposing the draft local government financial overview 2019, the process for finalising the report, and publication arrangements for the report.

During discussion, the Commission agreed:

- To approve the draft report and supplement on pension fund accounts, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Graham Sharp and Elma Murray.

Action: Director of PABV

- To approve the publication and promotion arrangements for the report, subject to revisions raised in discussion.

Actions: Secretary and Director of PABV

8. Proposed Best Value auditing approach in councils from 2021/22

The Commission considered a report by the Director of PABV providing an update on the progress made so far by the Commission's Best Value Working Group on the key elements of the new approach to auditing Best Value and seeking the Commission's endorsement of this progress.

During discussion, the Commission agreed:

- To note advice from the Director that he would be reporting in his Annual Assurance and Risks Report on the progress made by community planning partnerships on local outcome improvement plans and locality plans.

Action: Director of PABV

- To note advice from the Director, in response to queries from members, about increased flexibility for him and for the Commission in the new approach.

Following discussion, the Commission:

- Endorsed the progress made by the Best Value Working Group on the future of Best Value auditing in councils.
- Noted that the Group would further refine the new approach, including considering resource implications in the context of fee strategy and the new Code of Audit Practice, with a view to further reporting to the Commission for its consideration.

Action: Secretary and Director of PABV

9. Audit appointments and new Code of Audit Practice – update

The Commission considered a report by the Secretary to the Commission providing an update on the progress with the project for new audit appointments and a new Code of Audit Practice (the 'Code').

Following discussion, the Commission:

- Noted the overall shape of the draft Code, subject to detailed points raised in discussion.
- Endorse a set of principles proposed by the Commission Chair on taking forward further drafting of the Code, namely:
 - The Commission prefers a single Code across public audit in Scotland.
 - Any new Code needs to reflect an aim of the Commission to minimise any increase in the cost of audit and thus audit fees
 - Any new Code needs to properly reflect the Commission's desire to have Best Value at the core of the wider audit scope.
- That such further development of the Code be taken forward by the Commission Chair and the Chair of the Financial Audit and Assurance Committee in their membership of the project Steering Group.

Action: Secretary

- Noted that it would be considering a consultative draft of the Code at its January meeting, which would form the basis of stakeholder consultation in January to March 2020.
- Noted that it would be considering matters around the shape of the stakeholder consultation at its December meeting.
- Endorsed the position of the Steering Group that a 'mixed market' approach be the basis for a procurement strategy for new audit appointments.

Action: Project Manager

- Endorsed the position of the Steering Group that the current approach of a five-year appointment with an optional extension of two 12-month periods be retained for the new round of appointments.

Action: Project Manager

10. Strategic risk, priorities and Commission reporting response – proposed stakeholder consultation (NB in public)

The Commission considered a report by the Secretary to the Commission setting out the next steps in the Commission's strategy and work programme refresh. And proposing for approval a 2020-25 work programme consultation document.

During discussion, the Commission agreed:

- In relation to a query from Stephen Moore, that the profile of poverty and inequality matters across all of its work be considered as part of the refresh exercise.

Action: Director of PABV

- In relation to a query from Sophie Flemig, to note advice from the Secretary about ongoing work around developing how the Commission engages with citizens and communities.
- Further in this regard, to further consider the matter at a future meeting.

Action: Secretary

- In relation to the content of the consultation paper:
 - To better set out the risk environment

- To set out policy themes
- To more prominently highlight in the consultation paper the desire of the Commission to receive suggestions for policy or subject areas for coverage in the *How Councils Work* series.

Action: Secretary

- That consultees include chairs and chief officers of health and social care integration joint boards.

Action: Secretary

Following discussion, the Commission:

- Endorsed the proposed consultation document.
- Noted the next steps for taking forward its strategy and work programme refresh as set out in this paper.

Action: Secretary

11. Review of local authority financial reporting and external audit in England: calls for views – proposed Commission response (in private)

The Commission considered a report by the Audit Director, Professional Support seeking the Commission's views on a proposed response to the Redmond Review's call for views into local authority financial reporting and external audit in England.

Following discussion, the Commission:

- Endorsed the proposed response made by Audit Scotland on behalf of the Commission and Auditor General for Scotland.

Action: Audit Director, Professional Support

- Agreed that the Chair write separately to the Review Chair to emphasise the importance to the Commission of its role in reporting on the audit to the public, and within this the importance of the reporting relationship between appointed external auditors, the Controller of Audit and the Commission.

Action: Secretary

12. National Audit Office: New Code of Audit Practice: consultation – proposed Commission response (in private)

The Commission considered a report by the Associate Director, Audit Quality and Appointments (AQA), seeking the Commission's endorsement of a response to the National Audit Office on its stage 2 consultation on its draft 2020 Code of Audit Practice, made by Audit Scotland on behalf of the Commission and the Auditor General for Scotland.

Following discussion, the Commission endorsed the response.

Action: Associate Director, AQA

13. Commission business matters

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