

MEETING: 12 APRIL 2018

MINUTES OF PREVIOUS MEETING

Minutes of the 444th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 8 March 2018, at 10.15am

PRESENT: Graham Sharp (Chair)
Sandy Cumming
Sophie Flemig
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)
Nick Bennett, Partner, Scott-Moncrieff [Item 12 and 14]
Carol Calder, Senior Manager, PABV [Item 16]
Bruce Crosbie, Senior Audit Manager, Audit Services Group (ASG) [Item 13 and 15]
Mark MacPherson, Senior Manager, PABV [Item 12 and 14]
Ashleigh Madjitey, Auditor, PABV [Item 16]
Ronnie Nicol, Assistant Director, PABV [Item 16]
Neil O'Connor, Senior Auditor, ASG [Item 13 and 15]
Mark Taylor, Assistant Director, ASG [Item 11]
Sally Thompson, Audit Manager, PABV [Item 16]
Rikki Young, Business Manager, PABV [Item 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 February 2018
5. Minutes of meeting of Financial Audit and Assurance Committee of 22 February 2018
6. Minutes of meeting of Performance Audit Committee of 22 February 2018
7. Update report by the Secretary to the Accounts Commission
8. Update report by the Controller of Audit
9. Work programme: consultation outputs
10. Local Government Benchmarking Framework: National Benchmarking Overview Report 2016/17
11. Briefing: the changing Social Security landscape
12. Statutory report: City of Edinburgh Council
13. Statutory report: Dundee City Council
14. Statutory report: City of Edinburgh Council
15. Statutory report: Dundee City Council
16. Overview of local government in Scotland: draft report
17. Commission business matters

Christine May

The Chair advised during the meeting that this would be the last meeting attended by Christine May, whose period of appointment would end on 31 March. The Chair thanked Christine on behalf of the Commission for her input and commitment over her appointment, and wished her well for the future.

1. Apologies for absence

It was noted that apologies for absence had been received from Alan Campbell and Sheila Gunn.

2. Declarations of interest

The following declarations of interest were made:

- Sophie Flemig, in item 12, since a close family member was involved in the building of Edinburgh schools, and as a resident of the City of Edinburgh.
- Ronnie Hinds, in item 10, as a former chair of the project board of the Local Government Benchmarking Framework.
- Tim McKay, as a former member of City of Edinburgh Council.
- Christine May, in item 16, as a former chair of Fife Cultural Trust, in relation to references to arm's-length external organisations.
- Pauline Weetman, in item 12, as a resident of the City of Edinburgh.
- Geraldine Wooley:
 - in item 7, as a member of the Fife Valuation Appeal Committee, in relation to references to non-domestic and business rates
 - in item 11, since a close family member is an adviser to the Scottish Government on social security matters.

3. Decisions on taking business in private

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

- Items 14 and 15 require 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 15 proposes a draft report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.

No business was notified by members for item 16 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 8 February 2018

The Commission approved as a correct record the minutes of the meeting of 8 February 2018.

Arising therefrom, in relation to paragraph 7, fourth bullet point, and in response to a query from Tim McKay, the Commission noted advice from the Controller of Audit that he would provide in early course further information to the Commission on the General Data Protection Regulation.

Action: Controller of Audit

5. Minutes of meeting of Financial Audit and Assurance Committee of 22 February 2018

The Commission approved as a correct record the minutes of the meeting of 22 February.

Arising therefrom, the Commission noted advice from Pauline Weetman:

- That, in relation to item 5, Commission members would at the forthcoming Commission Strategy Seminar on 13-14 March be considering points raised by external auditors at recent meetings of the Committee on their experiences of the audit.
- That, in relation to item 6, she was keen to ensure that the report on intelligence considered regularly by the Committee features in the Commission's reporting of its assurance on the quality of audit.

Action: Secretary

6. Minutes of meeting of Performance Audit Committee of 22 February 2018

The Commission approved as a correct record the minutes of the meeting of 22 February.

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:

- Noted advice from the Secretary that:
 - Shetland Islands Council had announced on 28 February the appointment of a new Chief Executive, Maggie Sandison.
 - The National Audit Office had published on 8 March its report *Financial sustainability of local authorities 2018*, which he would circulate to members for use at the forthcoming Strategy Seminar.
- Agreed, in relation to a query from Christine May, that further information be provided on the Scottish Government's proposals for the future of the Forestry Commission.

Action: Director of PABV

- In relation to paragraph 24, in response to a query from Stephen Moore, noted advice from the Director of PABV that the Strategic Scrutiny Group was considering collaborative work amongst partners on homelessness,, upon which he would report further.
- In relation to paragraph 20, in response to a query from Tim McKay, agreed that further information be provided on the public sector pay rises agreed as part of the Scottish Government budget.

Action: Secretary and Director of PABV

Following discussion, the Commission noted 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.

Following discussion, the Commission noted the update.

9. Work programme: consultation outputs

The Commission considered a report by the Secretary to the Commission setting out the responses to the recent consultation on the refreshed Accounts Commission work programme (2017/18 – 2021/22) and seeking approval of the work programme.

During discussion, the Commission agreed:

- To note advice from the Secretary that two additional responses had been received, from the chief executives of Orkney Islands and South Lanarkshire councils, which he would make available to members.
- In relation to paragraph 26, in response to a query from Stephen Moore, agreed that the Commission be kept updated on further dialogue with COSLA around its expectations of the Improvement Service.
- To note advice from the Director of PABV that cyber security, in addition to being considered in the context of the scope for the proposed performance audit on digital progress in local government, is also being considered by the Strategic Scrutiny Group as part of its programme of work.
- That the Director of PABV provide a more detailed schedule of outputs from programme development activity (as set out in Appendix 3 of the report).

Action: Director of PABV

Following discussion, the Commission agreed:

- The proposed reordering of performance audits and related work (as set out in paragraph 8 of the report)
- To refer specific feedback on ongoing work to appropriate audit teams, policy cluster teams and the Strategic Scrutiny Group as appropriate.
- To specifically consider the following proposals for new areas of performance audit work as part of the work programme refresh proposals 2019/20 in December 2018:
 - Commercialism / entrepreneurship
 - Climate change and energy
 - Cyber security
- To agree to the scheduling of a report in its *How Councils Work* series in 2018/19, with further consideration to be given to an appropriate subject in this regard.
- To this end, that the Director report in early course on proposals.
- To defer proposed scheduling of a *How Councils Work* report in 2019/20 until the Commission considers the refresh of the work programme for 2019/20.
- To approve its programme of work subject to the revisions agreed as a result of the consultation and subject to liaison with the Auditor General for Scotland in relation to any joint audit work.
- To endorse the proposed publication and communication arrangements.
- To consider how it engages with stakeholders on its work programme at its forthcoming Strategy Seminar.

Actions: Secretary & Director of PABV

10. Local Government Benchmarking Framework: National Benchmarking Overview Report 2016/17

The Commission considered a report by the Secretary presenting for information the Local Government Benchmarking Framework (LGBF) National Benchmarking Overview Report 2016/17 and advising the Commission of the next stages of its dialogue with the LGBF Board.

During discussion, the Commission agreed to:

- Note the National Benchmarking Overview Report 2016/17.
- Note that a discussion with the Chair of the LGBF Board will take place at the April meeting in relation to:
 - the progress of the project
 - councils' progress against the Commission's SPI Direction, in advance of the Commission considering a new SPI Direction in December 2018

Action: Secretary and Director of PABV

11. Briefing: the changing Social Security landscape

The Commission considered a report by the Assistant Director, Audit Services and PABV providing a briefing on structural changes to social security with implications for Scottish local authorities.

During discussion, the Commission:

- Noted the implications of the structural changes to social security on the audit work of the Auditor General for Scotland as set out in the joint work programme.
- Noted the outcome of Audit Scotland's review of auditors' Housing Benefit subsidy certification letters of all 32 Scottish local authorities for 2016/17.
- Noted that further consideration will be given by Audit Scotland to the implications for the Commission's audit work of local authorities' social security responsibilities, with a view to the Commission considering these implications as part of the refresh of its work programme for 2019/20.
- Agreed that such consideration include housing benefit administration and Council Tax Reduction Scheme.
- Agreed further in this regard that such consideration include the impact of the changes on individual people.
- Agreed that the Financial Audit and Assurance Committee consider in particular the implications to the financial audit.
- Agreed that future such update and briefing reports provide more detail around costs.

Following discussion, the Commission noted the report.

12. Statutory report: City of Edinburgh Council

The Commission considered a report by the Controller of Audit on a matter arising from the 2016/17 audit of City of Edinburgh Council, in relation to a large scale

closure of schools in Edinburgh following the collapse of a section of brickwork wall at Oxgangs Primary School in January 2016.

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

13. Statutory report: Dundee City Council

The Commission considered a report by the Controller of Audit on a matter arising from the 2016/17 audit of Dundee City Council, in relation to a significant fraud perpetrated against the Council.

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

14. Statutory report: City of Edinburgh Council [in private]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on the City of Edinburgh Council.

Following discussion, the Commission agreed to make findings, to be published in early course.

Action: Secretary

15. Statutory report: Dundee City Council [in private]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on Dundee City Council.

Following discussion, the Commission agreed to make findings, to be published in early course.

Action: Secretary

16. Overview of local government in Scotland: draft report [in private]

The Commission considered a report by the Director of PABV proposing the draft local government overview report.

During discussion, the Commission agreed to:

- Approve the draft report, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Ronnie Hinds and Christine May.
- Approve the publication and promotion arrangements for the report.

Actions: Director of PABV and Secretary

17. Commission business matters and closing remarks

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