

MEETING: 10 JUNE 2021

MINUTES OF PREVIOUS MEETING

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Minutes of the 479<sup>th</sup> meeting of the  
Accounts Commission held via online meeting  
on Thursday 13 May 2021, at 9.30am.

PRESENT: Elma Murray (Interim Chair)  
Andrew Burns  
Andrew Cowie  
Sophie Flemig  
Sheila Gunn  
Christine Lester (joined from item 12)  
Tim McKay  
Stephen Moore  
Sharon O'Connor  
Pauline Weetman  
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission  
Antony Clark, Interim Controller of Audit and Director of Performance  
Audit and Best Value (PABV)  
Elaine Boyd, Associate Director, Audit Quality and Appointments  
(AQA) (Items 10 and 14 to 18)  
Lucy Carter, Policy Manager, Accounts Commission (Item 11)  
Fiona Daley, Consultant, Audit Strategy (Item 17)  
Stuart Dennis, Corporate Finance Manager (Item 18)  
John Gilchrist, Manager, AQA (Items 10, 14, 15, 17 and 18)  
Fiona Kordiak, Director of Audit Services (Item 10)  
Kathrine Sibbald, Senior Manager, PABV (Item 16)  
Owen Smith, Senior Manager, AQA (Items 10, 14, 15, 17 and 18)

Item Subject

1. Apologies for absence
2. Declarations of interest
3. Order of business
4. Minutes of meeting of 15 April 2021
5. Annual governance review
6. Secretary's update report
7. Interim Chair's update report
8. Controller of Audit's update report
9. Any other public business
10. Quality of public audit in Scotland: Draft report (in private)
11. Commission Annual Report: Draft (in private)
12. Best Value update (in private)
13. New audit appointments: Update by Interim Chair (in private)
14. New audit appointments: Principles for building audit portfolios (in private)
15. New audit appointments: Principles for identifying audits to retain in Audit Scotland (in private)
16. New audit appointments: Confidentiality (in private)
17. New audit appointments: Code of Audit Practice: Draft (in private)
18. New audit appointments: Procurement Strategy (in private)
19. Strategy Scrutiny Group update (in private)
20. Any other private business

1. Apologies for absence

It was noted that apologies for absence had been received from Christine Lester, for items 1 to 11.

2. Declarations of interest

The following declaration of interest was made:

- Tim McKay, in item 10, as Chair of the Audit Committee of the Scottish Legal Aid Board, as a body audited by Audit Scotland.

3. Order of business

It was agreed that items 10 to 20 be considered in private because:

- Item 10 requires the Commission to consider confidential policy matters.
- Item 11 proposes a draft report which the Commission is to consider before publishing.
- Items 12 to 18 require the Commission to consider confidential commercial and contractual matters.
- Item 19 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 20 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 Interim Chair advised that there was no business to be considered in private for item 20.

4. Minutes of meeting of 15 April 2021

The minutes of the meeting of 15 April 2021 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 4, first bullet point, noted advice from the Secretary that he was liaising with the Communications Manager with a view to ensuring that accessible language, including in the promotion of reports such as the Annual Assurance and Risks Report, be a core part of a revised Commission communications strategy, which the Commission would be considering at a forthcoming meeting.
- In relation to item 5, second bullet point, noted advice from the Secretary that further information on the European Charter of Local Government (Incorporation) (Scotland) Bill would be included in a forthcoming Secretary update report to the Commission.
- In relation to item 9, third bullet point, noted advice from the Secretary that third sector engagement had featured in discussions by members at their recent strategy seminar and thus would be a core part of a revised Commission communications strategy.
- In relation to item 10, second bullet point, noted advice from the Secretary that person-centred approach in audit work and reporting featured in discussions by members at their recent strategy seminar and thus would be a core part of

a revised Commission communications strategy.

- In relation to item 10, final bullet point, noted advice from the Interim Director of PABV that the next refresh of the dynamic work programme would be considered by the Commission at its August meeting.
- In relation to item 11, third bullet point, noted advice from the Secretary, in response to a query from the Interim Chair, that he would share with members comments received from members on the content of the Local Government Benchmarking Framework (LGBF) National Overview Report, which he would also be sharing with the LGBF Board.

*Action: Secretary*

- In relation to items 13 and 14, the Interim Chair thanked Geraldine Wooley for her input into the finalising of the *Mainstreaming equalities: progress and Equality outcomes 2021-25* draft reports, which were published on 27 April.
- In relation to item 17, third bullet point, noted advice from the Secretary that parliamentary engagement featured in discussions by members at their recent strategy seminar and thus would be a core part of a revised Commission communications strategy and a parliamentary engagement strategy, which the Commission would be considering at a forthcoming meeting.

## 5. Annual governance review

The Commission considered a report by the Secretary on the conclusion of a review of the Commission's governance arrangements, including recommending actions and an approach to future such reviews.

Following discussion, the Commission:

- Endorsed the conclusion of the annual governance review.
- Agreed the recommendations as set out in the report, subject to:
  - Deferring a recommendation to the Strategic Scrutiny Group (SSG) on a review of strategic agreements between individual partners, pending further discussion by the SSG and considering with Audit Scotland the current suite of memoranda of understanding in place with all other organisations.
  - Retaining an option of further discussion by members on the operation of committees, to reflect a range of members' views in this regard in the member survey in advance of the recent strategy seminar.
- Agreed to such a review on an annual basis, subject to the Secretary updating members on any significant developments as required.

*Action: Secretary*

## 6. Secretary's update report (in private)

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.

During discussion, the Commission:

- In relation to Appendix 1, noted advice from the Secretary, in response to a query from Sheila Gunn, on the download figures for published reports, and noting in particular that information on impact of published reports would feature in the Commission's forthcoming consideration of a revised communications strategy.

*Action: Secretary and Communications Manager*

- In relation to paragraph 46, noted concern expressed by Stephen Moore on the extent of Covid-19 related deaths in Scottish care homes, and in particular the need for the Commission to monitor this matter as part of its dynamic work programme, particularly in its ongoing development of audit work on social care sustainability.
- In relation to paragraph 104, noted advice from the Secretary, in response to a query from Tim McKay, that:
  - A High Court ruling dismissing an attempt to allow council meetings in England to be held online past the expiry of existing Covid-19 legislation did not apply to Scotland.
  - A similar dispensation to Scottish councils is part of the Coronavirus (Scotland) Act 2020 which had been extended to 30 September 2021.

Following discussion, the Commission noted the report.

7. Interim Chair's update report

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

8. Controller of Audit's update report

The Commission considered a report by the Interim Controller of Audit providing an update on recent and upcoming activity.

During discussion, the Commission:

- Noted advice from the Interim Controller of Audit, in response to a query from Sheila Gunn, that accountability of Covid-19 funding received and distributed by councils formed a core part of risk-based and proportionate audit planning work for the current year.
- Noted advice from the Interim Controller of Audit, in response to a query from Geraldine Wooley, that the progress of early learning and childcare funding continued to be monitored, as part of planning for planned future performance audit work in this regard.

Following discussion, the Commission noted the report.

9. Any other public business

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

10. Quality of public audit in Scotland: Draft report (in private)

The Commission considered a report by the Associate Director, Audit Quality and

Appointments (AQA) introducing the draft *Quality of public audit in Scotland* (QPAS) annual report 2020/21 and a supplementary report provide further detail on the results included in the QPAS report.

During discussion, the Commission:

- Noted advice from the Interim Chair that she would liaise with the Auditor General on the Commission's interest in the Audit Scotland Annual Transparency Report.

*Action: Interim Chair*

- Noted advice from the Interim Chair that Audit Scotland Audit Committee was reviewing improvement actions proposed by Audit Scotland Audit Services Group in response to the QPAS annual report.
- Further in this regard, noted advice from the Director of Audit Services and the Associate Director, AQA, in response to points raised by various members, about the actions being proposed by Audit Services Group in response to the QPAS annual report.
- Further in this regard, noted advice from the Interim Chair that she would liaise with the Commission Secretary and the Director of Audit Services on arrangements for Commission oversight of this matter.

*Action: Interim Chair and Secretary*

- Noted, further to a point by Tim McKay and Pauline Weetman, its significant interest in the improvement plan for the audit of Dundee City Council, upon which the Associate Director, AQA would report further.

*Action: Associate Director, AQA*

Following discussion, the Commission:

- Agreed that members provide the Interim Chair and Secretary with any additional or detailed comments on the report.
- Noted the assurance provided by the quality assurance processes during 2020/21.
- Noted the areas for improvement, the action being taken by audit providers and a proposed AQA update on progress at a future meeting.
- Endorsed the *Quality of public audit in Scotland* annual report 2020/21.

11. Commission Annual Report: Draft (in private)

The Commission considered a report by the Secretary proposing the Commission's annual report for 2020/21 and associated publication arrangements.

Following discussion, the Commission approved the annual report and associated publication arrangements, subject to subject to the drafting team considering points raised in discussion.

*Action: Secretary*

12. Best Value update (in private)

The Commission considered a report by the Secretary providing an update on the work of the Best Value Working Group.

Following discussion, the Commission noted the report, including the latest conclusions of the Best Value Working Group.

13. New audit appointments: Update by Interim Chair (in private)

The Commission considered a report by the Interim Chair providing an update on the progress made with the New Audit Appointments project, and in particular the progress on discussions relating to affordability in procurement of audit services.

Following discussion, the Commission:

- Noted the report.
- In particular noted ongoing work on risks relating to affordability in procurement (including benchmarking of bids), which will be subject to further consideration by the Best Value Working Group and New Audit Appointments Steering Group, with the Commission kept apprised appropriately.

14. New audit appointments – Principles for building audit portfolios (in private)

The Commission considered a report by the Associate Director, AQA, proposing principles for building audit portfolios for the new audit appointments.

Following discussion, the Commission:

- Noted that the criteria for rotation and portfolio have been reviewed considering developments in remote auditing.
- Agreed the introduction of a new criterion to rotate audits to firms where an Audit Services Group appointed auditor has audited the body for two or more cycles.
- Agreed the proposed criteria, including relative weighting, as set out in the procurement strategy.

15. New audit appointments – Principles for identifying audits to retain in Audit Scotland (in private)

The Commission considered a report by the Associate Director, AQA, proposing the criteria for identifying public body audits which were to be reserved and carried out by Audit Scotland and for identifying bodies that should be audited by an audit firm.

During discussion, the Commission:

- Noted the Commission's interest in those local government bodies proposed for being reserved.
- Noted advice from John Gilchrist, on behalf of the Associate Director, that he would be seeking assurance from Audit Scotland on the skills and capability required for the audit of public interest entities.

Following discussion, the Commission:

- Agreed the criteria for reserved audits.
- Noted that in due course the Commission and the Auditor General will be asked to confirm the specific bodies to be reserved.

*Action: Associate Director, AQA*

16. New audit appointments – Confidentiality (in private)

The Commission considered a report by the Associate Director, AQA, setting out draft proposals for managing confidentiality as part of the development and implementation of the new audit appointments invitation to tender.

During discussion, the Commission noted advice from the Interim Chair and Secretary that legal advice obtained by the Commission in relation to the proposals for the evaluation of tenders, stated that the proposals are consistent with the Commission's statutory obligations, specifically section 97 (2AA and 2AB) of the Local Government (Scotland) Act 1973.

Following discussion, the Commission:

- Agreed that the Interim Chair and Deputy Chair be involved in stage 1 of the process (i.e. the preparation of the invitation to tender and associated documentation).

*Action: Associate Director, AQA*

- Agreed that the Interim Chair (or in her absence the Interim Deputy Chair) be involved in stage 2 of the process (i.e. evaluation of tenders, and principally acting as the Commission's representation on the interview panel).

*Action: Associate Director, AQA*

- Noted that the Best Value Working Group would further consider any implications arising from the legal advice obtained.

*Action: Secretary*

17. New audit appointments: Code of Audit Practice: Draft (in private)

The Commission considered a report by the Associate Director, AQA, seeking the Commission's approval of the draft Code of Audit Practice 2021.

Following discussion, the Commission:

- Noted the work on the draft Code of Audit Practice undertaken by the Best Value Working Group.
- Approved the draft joint Code of Audit Practice 2021.

*Action: Associate Director, AQA*

- Agreed to delegate to the Interim Chair approval of any final amendments proposed by the Commission or the Auditor General for Scotland through the New Audit Appointments Steering Group.

*Action: Associate Director, AQA*

18. New audit appointments: Procurement Strategy (in private)

The Commission considered a report by the Corporate Finance Manager proposing a draft Procurement Strategy.

During discussion, the Commission:

- Noted advice from the Interim Chair and Secretary that legal advice obtained by the Commission in relation to the Procurement Strategy noted that the Strategy can be owned by the Commission as its approach to the procurement exercise.



- Further in this regard, noted advice from the Interim Chair that she would discuss further with the Auditor General and Audit Scotland the implications of this on the overall branding of the Procurement Strategy.

Following discussion, the Commission:

- Agreed the Procurement Strategy, subject to appropriate changes as a result of the legal advice obtained by the Commission.

*Action: Corporate Finance Manager*

- In particular, in response to a point from Pauline Weetman, underlined its commitment to the use of a mixed market approach to the procurement of audit services.
- Noted that the Invitation to Tender (ITT) project team will construct ITT documentation to meet the objectives of the approved Procurement Strategy.
- Noted that the Best Value Working Group will give further consideration of matters arising from the Procurement Strategy as appropriate.

19. Strategy Scrutiny Group update (in private)

The Commission considered a report by the Audit Director, PABV, updating the Commission on the work of the Strategic Scrutiny Group and its plans for the remainder of 2021.

Following discussion, the Commission noted the report.

20. 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 2.40pm.