

449th meeting of the Accounts Commission for Scotland
Thursday 13 September 2018, 10.15am
in the offices of Audit Scotland, 102 West Port, Edinburgh

Agenda

1. **Apologies for absence.**
 2. **Declarations of interest.**
 3. **Decisions on taking business in private:** The Commission will consider whether to take items 13 to 16 in private (* see note).
 4. **Minutes of meeting of 9 August 2018**
 5. **Minutes of meeting of Financial Audit and Assurance Committee of 23 August 2018**
 6. **Minutes of meeting of Performance Audit Committee of 23 August 2018**
 7. **Audit Scotland Board update:** The Commission will consider a verbal report by the Chair and Secretary to the Commission.
 8. **Update report by the Secretary to the Commission:** The Commission will consider a report by the Secretary to the Commission.
 9. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
 10. **Briefing: UK and Scottish response to the Grenfell Tower tragedy:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 11. **Ethical governance:** The Commission will consider a report by the Secretary to the Commission.
 12. **Professional scepticism in audit:** The Commission will consider a cover report by the Secretary.
- The following items are proposed to be considered in private:**
13. **Local government financial overview 2017/18 and local government overview 2019: scope:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 14. **Housing benefit audit: draft annual report:** The Commission will consider a report by the Director of Audit Services.
 15. **Performance audit: draft report: Health & social care integration:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 16. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 13 to 16 be considered in private because:

- Items 13 to 15 propose draft audit reports which the Commission is to consider in private before publishing.
- Item 16 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 following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of 9 August 2018	AC.2018.8.1
Agenda Item 5: Minutes of meeting Financial Audit and Assurance Committee of 23 August 2018.	AC.2018.8.2
Agenda Item 6: Minutes of meeting Performance Audit Committee of 23 August 2018	AC.2018.8.3
Agenda Item 7: Report by Secretary to the Commission	AC.2018.8.4
Agenda Item 8: Report by Secretary to the Commission	AC.2018.8.5
Agenda Item 10: Report by Director of Performance Audit and Best Value	AC.2018.8.6
Agenda Item 11: Report by Secretary to the Commission	AC.2018.8.7
Agenda Item 12: Report by Director of Audit Services	AC.2018.8.8
Agenda Item 13: Report by Director of Performance Audit and Best Value	AC.2018.8.9
Agenda Item 14: Report by Director of Audit Services	AC.2018.8.10
Agenda Item 15: Report by Director of Performance Audit and Best Value	AC.2018.8.11

MEETING: 13 SEPTEMBER 2018

MINUTES OF PREVIOUS MEETING

Minutes of the 448th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 9 August 2018, at 11.15am

PRESENT: Graham Sharp (Chair)
Andrew Burns
Andrew Cowie
Sandy Cumming
Sophie Flemig
Ronnie Hinds
Tim McKay
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)
Carol Calder, Senior Manager, PABV [Item 10]
Gemma Diamond, Senior Manager, PABV [Item 13]
Iain Lochhead, Senior Auditor, Audit Services Group (ASG) [Items 14 and 15]
Tricia Meldrum, Senior Manager, PABV [Item 12]
Gill Miller, Audit Manager, PABV [Items 14 and 15]
Stephen O'Hagan, Senior Audit Manager, ASG [Items 14 and 15]
Mark Roberts, Senior Manager, PABV [Item 13]
Claire Sweeney, Associate Director, PABV [Item 10]
Mark Taylor, Audit Director, ASG [Item 13]

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 7 June 2018
5. Minutes of meeting of Performance Audit Committee of 14 June 2018
6. Audit Scotland Board update
7. Update report by the Secretary to the Accounts Commission
8. Update report by the Controller of Audit
9. Commission meeting arrangements 2019
10. Briefing: Housing
11. Briefing: Rural issues
12. Briefing: Engaging with young people
13. New financial powers update
14. Audit of Best Value: Glasgow City Council
15. Audit of Best Value: Glasgow City Council
16. Commission business matters

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest were made:

- Andrew Cowie, in items 14 and 15, as a joint owner of a residential property in Glasgow.
- Sandy Cumming, in item 11, as Chair of Scotland's Rural College.

3. Decisions on taking business in private

It was agreed that item 15 be taken in private as it requires 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.

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 7 June 2018

The minutes of the meeting of 7 June 2018 were approved as a correct record, subject to, in relation to item 12, noting advice from the Secretary that the performance audit report on children and young people's mental health would be published on 13 September.

5. Minutes of meeting of Performance Audit Committee of 14 June 2018

The minutes of the meeting of the Performance Audit Committee of 14 June 2018 were approved as a correct record.

6. Audit Scotland Board update

The Commission noted a report by the Secretary providing an update on the business of the Audit Scotland Board.

7. Update report by the Secretary to the Accounts 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:

- In relation to paragraph 36, in response to a query from Ronnie Hinds, agreed that the Secretary and the Chair consider the appropriateness of engagement in the consultation phase of the Local Governance Review.

Action: Secretary

- In relation to paragraph 42, noted advice from the Secretary that "academic year" should read "financial year".
- In relation to paragraph 56, noted advice from the Secretary that a review of the Improvement Service undertaken by the Convention of Scottish Local Authorities (COSLA) was ongoing, into which the Commission would be invited to offer its view.

- In relation to paragraph 91, in response to a query from Geraldine Wooley, noted advice from the Controller of Audit that council investment in commercial property assets is less prevalent in Scotland than in England, but this would remain an area worthy of monitoring.

Following discussion, the Commission agreed:

- That it considers at its next meeting a draft response to the Scottish Government consultation on a consumer body for Scotland.

Action: Director of PABV

- That the Financial Audit and Assurance Committee consider the consultation on the Scottish Local Government Pension Scheme structural review.

Action: Secretary

- Not to respond to the Scottish Government consultation on implementation of the Barclay Review (paragraph 39).

Action: Secretary

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. Commission meeting arrangements 2019

The Commission considered a report by the Secretary to the Commission to propose meeting arrangements for the Commission for 2019.

Following discussion, the Commission:

- Agreed the proposed schedule and arrangements for meetings of the Commission and its committees in 2019, including proposed dates for the annual and mid-year strategy seminars.
- Agreed to continue a speaker session during committee days, and noted the proposed schedule of speakers for the remainder of 2018.
- Agreed further in this regard that a speaker on regional collaboration around city deals be included in the schedule of speakers for 2019.
- Agreed further in this regard that members liaise with the Secretary with other suggestions.
- Agreed that further discussion take place at the mid-year strategy seminar on suggestions made by members on:
 - Starting time for Commission meetings
 - Use of other locations for Commission meetings
 - Different scheduling of the Strategy Seminar over the allotted two days.

Actions: Secretary

10. Briefing: Housing

The Commission considered a report by the Director of PABV providing a summary on activity in the housing sector since the *Housing in Scotland* performance audit published in July 2013.

Following discussion, the Commission:

- Agreed not to hold a second stakeholder roundtable, given the effectiveness of the first such event in gathering information to help inform the forthcoming performance audit.
- Agreed that an options paper on the topic for a housing performance audit be considered by the Performance Audit Committee in November 2018.
- Agreed, in relation to various queries from members, that the following be considered as part of the appraisal of options for the forthcoming performance audit:
 - immigration reform (raised by Sophie Flemig)
 - affordable homes, with particular reference to key workers in rural areas (Andrew Cowie and Ronnie Hinds)
 - the implications of the ongoing Planning Bill (Ronnie Hinds)
 - construction workforce skills and capacity (Ronnie Hinds)
 - progress against national targets (Andrews Burns).

Action: Director of PABV

- agreed that the forthcoming council engagement events be used to highlight the paper and forthcoming audit work in this regard.

Action: Secretary

11. Briefing: Rural issues

The Commission considered a report by the Director of PABV introducing a briefing paper on Scotland's rural and islands policy and summarises how Audit Scotland reflects rural issues in its work, both currently and into the future.

The Chair welcomed Professor Sarah Skerratt, Rural Policy Centre Director, Scotland's Rural College, who authored the briefing paper.

Following discussion, the Commission:

- noted how Audit Scotland has been focusing on rural as context to inform local and national audit work, and considering the specific audit implications of the Islands Act.
- note the proposed approach to maintaining a "rural lens" and integrating rural perspectives into future audit.
- agreed that the forthcoming council engagement events be used to highlight the paper and forthcoming audit work in this regard.
- agreed that further consideration be given to maximising the accessibility of formal meetings of the Commission to different audiences.

Action: Secretary

12. Briefing: Engaging with young people

The Commission considered a report by the Director of PABV on Audit Scotland's work to engage with young people as part of broader programme development, and to inform the Commission about how it is marking the Year of Young People 2018.

Following discussion, the Commission:

- Noted the establishment of a standing panel of young people to help inform audit work and work programme development.
- Agreed that Audit Scotland and the panel consider approaches to mentoring.
- Agreed to receive regular updates on the work of the panel.

Action: Director of PABV

- Agreed that the panel be represented as part of the lunchtime speaker programme.

Action: Secretary

- Noted the activities of Audit Scotland around the Year of Young People 2018.

13. New financial powers update

The Commission considered a report by Mark Taylor, Audit Director, ASG and PABV on key developments surrounding financial devolution and constitutional change.

During discussion, the Commission:

- Agreed to note that Mark Taylor would provide further information on proposals for the decision-making process around the management of Crown Estate assets.

Action: Audit Director

- Noted advice from the Audit Director that, in future Auditor General performance audit work in relation to new social security powers, risks around diverging social security assessment criteria between Scotland and the rest of the UK would be considered.

Action: Director of PABV

Following discussion, the Commission agreed to note the report.

14. Audit of Best Value: Glasgow City Council

The Commission considered a report by the Secretary to the Commission presenting the Controller of Audit's Best Value Assurance Report for Glasgow City Council.

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

15. Audit of Best Value: Glasgow City Council [private]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on the Best Value Assurance Report of Glasgow City Council.

Following discussion, the Commission agreed to make findings, to be published on 23 August 2018.

Action: Secretary

16. Commission business matters

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

MEETING: 13 SEPTEMBER 2018

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE
 OF 23 AUGUST 2018**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of 102 West Port, Edinburgh, on Thursday 23 August 2018, at 10.00am.

PRESENT: Pauline Weetman (Chair)
 Andrew Burns
 Graham Sharp
 Geraldine Wooley
 Ronnie Hinds
 Tim McKay

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV) (Item 5)
 Fiona Kordiak, Director, Audit Services (Items 4, 5 and 6)
 Anne MacDonald, Senior Audit Manager, Audit Services (Item 4)
 Gordon Smail, Audit Director, Audit Services (Items 5 and 6)

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 26 April 2018
4.	Local government pension scheme: (a) Triennial valuation (b) Consultation
5.	Audit Quality Report: Improvement actions
6.	Audit quality in Audit Services Group
7.	Any other business

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest were made:

- Andrew Burns, in item 4, as a member of the Local Government Pension Scheme.
- Ronnie Hinds, in item 4, as a member of the Local Government Pension Scheme.
- Tim McKay, in item 4, as a member of the Local Government Pension Scheme and as former Chair of Lothian Pension Fund Trustees.
- Geraldine Wooley, in item 4, as a member of the Local Government Pension Scheme.

3. Minutes of meeting of 14 June 2018

The minutes of the meeting of 14 June 2018 were noted.

Arising therefrom, in relation to item 6 and in response to a query from Tim McKay, the Committee noted advice from the Secretary that guidance to auditors on openness and transparency had been issued, a copy of which was available on the members' extranet.

4. Local Government pension scheme

The Committee considered a report by the Controller of Audit advising of (a) the outcome of the latest actuarial valuation of the Local Government Pension Scheme (LGPS); and (b) the current consultation by the LGPS Advisory Board on a review of the structure of pension funds.

During discussion, the Committee agreed:

- To note advice from the Director, Audit Services on the updated position with regard to differences between estimated figures provided by actuaries in IAS 19 reports and updated figures included in unaudited accounts.
- To note that further detail on the material impact of the revised accounting valuations on net pension liabilities will be reported to the Committee at its next meeting.
- That longer-term trends in relation to funding levels and contribution rates be provided.

Action: Controller of Audit

- To note forthcoming review work by the Government Actuaries Department in relation to valuation consistency and solvency and long-term efficiency of Scotland's 11 local government pension funds, to be reported in, the local government overview pension supplement.
- To note the work to be undertaken by auditors in response to triennial valuations and IAS 19 reports, the progress of which will be reported to the Committee.

- To note that while the consultation is only open to employer and employee organisations, the Chair write to the LGPS Advisory Board advising of the Commission's observations and interest.

Action: Secretary

5 Audit Quality Report: Improvement Actions

The Committee considered a paper by the Director of Audit Services and Director of PABV advising of how they have addressed matters arising from 2017/18 quality monitoring and reporting.

Following discussion, the Committee:

- Noted advice from the Directors that detailed action plans were in place to address matters arising from 2017/18 quality monitoring and reporting.
- Noted advice from the Directors on Audit Scotland's response to matters indicated in staff feedback.
- Noted advice from the Secretary in relation to forthcoming reporting by the Appointments and Assurance Team of responses to 2017/18 quality monitoring and reporting.
- Agreed to maintain its interest in progress towards integration of audit, particularly in relation to Best Value.

Action: Secretary and Director of PABV

- Noted its interest in gauging the performance of Audit Scotland's Audit Services Group against similar service providers.

Action: Assistant Director, Appointments and Assurance

Thereafter, the Committee noted the report.

6. Audit Quality in Audit Services Group

The Committee considered a report by the Director of Audit Services on audit quality in Audit Services Group in Audit Scotland.

Following discussion, the Committee noted the arrangements in place and under further development by Audit Services Group in providing assurance to the Commission on its audit activities.

7. Any other business

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

MEETING: 13 SEPTEMBER 2018

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 23 AUGUST 2018

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of 102 West Port, Edinburgh, on Thursday 23 August 2018, at 14.00.

PRESENT: Ronnie Hinds (Chair)
 Alan Campbell
 Stephen Moore
 Graham Sharp

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Director of Performance Audit and Best Value (PABV)
 Claire Sweeney, Audit Director, PABV [Items 4 and 6]
 Carol Calder, Senior Manager, PABV [Item 4]
 Leigh Johnston, Senior Manager, PABV [Item 4]
 Ronnie Nicol, Audit Director, PABV [Item 4]
 Sarah Pollock, Audit Manager, PABV [Item 5]
 Rebecca Seidel, Audit Manager, PABV [Item 6]
 Rebecca Smallwood, Senior Auditor, PABV [Item 5]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 14 June 2018
4.	Policy briefing: Health, Care and communities
5.	Audit Quality Report: Improvement actions
6.	Impact report: Community Planning
7.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Andy Cowie and Sandy Cumming.

2. Declarations of interest

No declarations of interest were made:

3. Minutes of meeting of 14 June 2018

The minutes of the meeting of 14 June 2018 were noted, having previously been approved by the Commission.

Arising therefrom, in relation to item 4 (first bullet point), noted advice from the Secretary that Audit Scotland would maintain, on behalf of the Commission, a watching brief on the consultation by the National Council of Rural Advisers called 'A rural conversation: together we can, together we will'.

4. Policy briefing: Health, Care and Communities

The Committee considered a report by the Director of PABV introducing the briefing for the Health, Care and Communities cluster.

During discussion, the Committee agreed:

- That matters around council transparency of budget decisions be considered by the team taking forward the *How Councils Work* report on internal scrutiny.
- That future briefings provide information on delayed discharge performance.
- To note advice from the Director that the forthcoming performance audit on health and social care integration would contain information on total integration authority overspend.
- To note advice from the Director on ongoing discussions with the Auditor General on the reporting of NHS performance and the impact of Barnett consequential in this regard.
- To note the Committee's continuing interest in risk around leadership capacity and capability across public services.

Actions: Director of PABV

Thereafter, the Committee noted the report.

5. Audit quality report: improvement actions

The Committee considered a paper by the Director of Audit Services and Director of PABV advising of how they have addressed matters arising from 2017/18 quality monitoring and reporting.

Following discussion, the Committee:

- Noted advice from the Directors that detailed action plans were in place to address matters arising from 2017/18 quality monitoring and reporting.
- Noted advice from the Directors on Audit Scotland's response to performance matters as indicated in staff feedback.

- Noted advice from the Secretary in relation to forthcoming reporting by the Appointments and Assurance Team of responses to 2017/18 quality monitoring and reporting.

*Action: Secretary, Director of PABV
and Assistant Director, Appointments and Assurance*

Thereafter, the Committee noted the report.

6. Impact report: Community planning: an update

The Committee considered a report by the Director of PABV introducing a draft impact report for the performance audit 'Community Planning: an update' published on 3 March 2016.

Following discussion, the Committee:

- Approved the draft impact report and publish it on the Commission's website.
- Noted that the report would be shared with stakeholders associated with the audit.
- Noted the proposed ongoing programme of joint development activity with scrutiny partners, linked to community planning and community empowerment.
- Further in this regard, to note the Committee's ongoing interest in the Scottish Government's approach to community planning.

Actions: Secretary and Director of PABV

7. Any other business

The Chair having advised that there was no further business, the meeting was closed.

MEETING: 13 SEPTEMBER 2018

REPORT BY: SECRETARY TO THE ACCOUNTS 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 meeting of the Audit Scotland Board, in this case the meeting of 6 June 2018. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 22 August 2018, 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 28 September 2018 and considered by the Commission thereafter.

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
4 September 2018

Minutes



Wednesday 6 June 2018, 11.30am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

I Leitch (Chair)
C Gardner
G Sharp
H Logan
R Griggs

Apologies:

None

In attendance:

D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
S Dennis, Corporate Finance Manager (items 9, 24)
A Devlin, Corporate Governance Manager (items 12,13,14,15,17)
E Boyd, Assistant Director, Appointments and Assurance (items 18, 22)
O Smith, Senior Manager, Appointments and Assurance (items 18, 22)
J Gilchrist, Manager, Appointments and Assurance (items 18, 22)
A Clark, Assistant Director, Performance Audit and Best Value (item 23)
J Gillies, Communications Manager
J Webber, Senior Executive Assistant

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 4 June 2018.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The members agreed that items 22, 23 and 24 would be considered in private as they are intended for future publication.

4. Chair's report

Ian Leitch provided a verbal update on regular meetings with Diane McGiffen and Caroline Gardner on general business matters and in preparation for the meeting with the Scottish Commission for Public Audit (SCPA) on Audit Scotland's 2017/18 Annual report and accounts.

The members welcomed the update.

5. Accountable Officer's report

Caroline Gardner advised the Board of parliamentary engagement which included a session with the Social Security Committee on the impact of the Scotland Act and the potential risks

around implementation. Caroline invited members to note that she had been speaking at two workshops on Budget Process Review hosted by Audit Scotland and that there is a further meeting with the Scottish Futures Trust scheduled for 15 June 2018. Caroline advised that she had taken part on an informal panel of the Scottish Parliament's Women's Network speaking about her role in public life.

Caroline advised of the recent Public Audit and Post Legislative Scrutiny (PAPLS) sessions on NHS Tayside, Scottish Colleges section 22 report and the Scottish Fire and Rescue Service.

Caroline advised that the health and central government audit teams were busy working to a deadline of the end of June reviewing annual reports and accounts and invited members to note Audit Scotland's significant recruitment campaign focused on building capacity around the new financial powers and social security. The Board noted the restricted market for recruiting highly skilled staff and welcomed the branding and marketing of Audit Scotland's culture to attract candidates.

Russel Griggs asked whether there was an increased focus on fraud and Caroline advised that Fiona Kordiak and Angela Canning would be leading this work.

Following discussion, the Board welcomed the update.

6. Accounts Commission Chair's report

Graham Sharp advised the Board that the Accounts Commission had at its last meeting approved their Annual Report, strategy and engagement strategy which included the use of social media and local papers to encourage engagement with the public and continued engagement with Parliament. He advised the Commission also approved the next tranche of best value audits, considered the best value findings on East Renfrewshire Council and reviewed the Audit Quality annual report.

He invited members to note that at the Commission's meeting on Thursday 7 June, the Commission would be considering the Best Value report on West Dunbartonshire, a report from the Strategic Scrutiny Group, a draft report on Early Learning and Childcare and the review report on the East Renfrewshire best value audit.

Graham advised of the meeting with the Local Government and Communities Committee (LGCC), meetings with Bob Doris MSP and Jenny Marra MSP. Graham advised he had attended a meeting and dinner with SOLACE on 24 May 2018 and of planned engagement with local authority Chief Executives to share feedback on Best Value reports.

Graham advised of an introduction meeting with Councillor Alison Evison and Sarah Gadsden from the Improvement Service to the interaction between the organisation and the Accounts Commission.

Finally, Graham advised announcements of the appointments of the new Commission members would be made shortly.

The Board welcomed the update.

7. Review of minutes

Board meeting, 2 May 2018

The Board considered the minutes of the meeting of 2 May 2018, which had been previously circulated, and agreed these were an accurate record of the meeting subject to amended wording for Item 10, Review of the new approach to auditing best value.

Audit Committee, 14 March 2018

The Board considered the minutes of the meeting of 14 March 2018, which had been previously circulated, and agreed they were content they were an accurate record of the meeting.

8. Review of actions tracker

The Board noted the updates provided by the action tracker and Diane McGiffen provided an update report on the developments within the Appointments and Assurance and Professional Support teams would come to the Board after the summer.

9. Q4 Financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager introduced the Q4 financial performance report, which had been previously circulated.

The Board reflected on the earlier discussion of this report at the meeting of the Audit Committee immediately preceding the Board meeting and agreed they were content with the report.

10. Q4 Corporate performance report

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q4 corporate performance report, which had been previously circulated.

The members discussed whether there were any perceived conflicts of interest in relation to joint working with other public sector scrutiny agencies. Caroline Gardiner advised that there were no issues and Graham Sharp, as Chair of the Strategy Scrutiny Group, advised that scrutiny bodies often work together in order to share information and contribute to risk assessments.

Following discussion, the Board welcomed the report.

11. Q4 Becoming world class improvement programme

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q4 becoming world class improvement programme report, which had been previously circulated.

Martin Walker advised that in compiling the report it had provided an opportunity to review the year in full and he invited members to note the overall achievements.

Russel Griggs asked what opportunities there are for Audit Scotland to consider international standards and best practice. Diane McGiffen advised colleagues work in clusters on the delivery of audits where they consider standards and best practice routinely as part of best value work.

Heather Logan reflected that the report reflected a very dynamic period.

Following discussion, the Board welcomed the achievements reported.

12. Data protection update

Alex Devlin, Corporate Governance Manager, joined the meeting.

Alex Devlin, Corporate Governance Manager, introduced the Data Protection update report, which had been previously circulated.

Alex Devlin invited the Board to note progress towards and compliance with the GDPR and Data Protection Act 2018 with 95% of colleagues having completed the updated training module. He also advised of recent letters to the Chief Executives of public bodies regarding an update of privacy notices to state that they supply information to us as part of our audit work.

Russel Griggs asked what the international implications of GDPR were for sharing information. Alex advised that while the legislation relates to keeping information within the European Union,

international organisations whom we work with have signed up to the Privacy Shield which provides adequate protection.

Following discussion, the Board welcomed the report.

13. 2017/18 Annual report on freedom of information and environmental information

Alex Devlin, Corporate Governance Manager, introduced the 2017/18 annual report on freedom of information and environmental information, which had been previously circulated.

Alex Devlin invited the Board to note the report as part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.

Alex provided a summary of the statistics and analysis reported on the 51 freedom of information requests received in the year.

Following discussion, the Board welcomed the report.

14. 2017/18 Annual report on complaints

Alex Devlin, Corporate Governance Manager, introduced the 2017/18 annual report on complaints, which had been previously circulated.

Alex Devlin invited the Board to note the report as part of the suite of assurance reporting. In response to a question from the Chair, Alex advised that complaints about audit judgements and audit quality were dealt with outwith the complaints handling process. Diane McGiffen advised that the audit judgements process was scheduled to be reported to Management Team in August 2018.

Following discussion, the Board welcomed the report.

15. 2017/18 Annual report from the Chair of the Audit Committee

Heather Logan, Chair of the Audit Committee, introduced the 2017/18 annual report from the Chair of the Audit Committee, which had been previously circulated.

Heather Logan noted her thanks to members and Audit Scotland officers for their work in support of the Audit Committee over the past year.

Following discussion, the Board welcomed the report.

16. 2017/18 Annual report from the Chair of the Remuneration and Human Resources Committee

David Blattman, Secretary to the Remuneration and Human Resources Committee, joined the meeting.

Russel Griggs, Chair of the Remuneration and Human Resources Committee (Remco), introduced the 2017/18 Annual report from the Chair of Remco, which had been previously circulated.

Russel Griggs noted his thanks to members and Audit Scotland officers for their work in support of the Remuneration and Human Resources Committee over the past year.

Following discussion, the Board welcomed the report.

David Blattman, Secretary to the Remuneration and Human Resources Committee, left the meeting.

17. 2017/8 Governance statement on internal control and certificate of assurance

Alex Devlin, Corporate Governance Manager, introduced the 2017/18 Governance statement on internal control and certificate of assurance, which had been previously circulated.

The Chair invited members to note the Governance statement on internal control and certificate of assurance which had been considered at the earlier Audit Committee meeting.

The Board welcomed the assurance provided. There were no further comments and the Board approved the certificate.

Alex Devlin, Corporate Governance Manager, left the meeting.

18. Policy on the provision of non-audit services by Audit Scotland's external auditor

Elaine Boyd, Assistant Director, Owen Smith, Senior Manager and John Gilchrist, Manager, Appointments and Assurance, joined the meeting.

Elaine Boyd, Assistant Director, Appointments and Assurance, introduced the policy on the provision of non-audit services by Audit Scotland's external auditor, which had been previously circulated.

The Board noted the recommendation by the Audit Committee to approve the policy and following discussion, approved the policy.

19. Any other business

There was no further business.

20. Review of meeting

The members agreed that business had been dealt with timeously and the Chair thanked everyone for their contribution.

21. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Wednesday 22 August 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

The Board then moved into private session.

Items taken in private

22. 2017/18 Annual report on Audit quality

James Gillies, Communications Manager, joined the meeting.

Elaine Boyd, Assistant Director, Appointments and Assurance, introduced the 2017/18 annual report on Audit Quality, which had been previously circulated.

Elaine invited members to note the independent assurance provided, which covered all audit work, and sought approval to publish the report alongside the suite of annual reports in June 2018.

The Board welcomed the assurance provided and discussed the process for ensuring fairness and consistency across the independent ICAS review and the cold reviews undertaken by the Appointments and Assurance Team.

Following discussion, the Board welcomed the assurance provided and approved the report for publication.

Action ASB76: The Appointments and Assurance team to provide a published copy of the report to members. (June 2018)

Elaine Boyd, Assistant Director, Owen Smith, Senior Manager and John Gilchrist, Manager, Appointments and Assurance left the meeting.

23. 2017/18 Annual report on International work

Antony Clark, Chair of the International Steering Group, joined the meeting.

Antony Clark, Chair of the International Steering Group introduced the 2017/18 annual report on International Work, which had been previously circulated.

Antony invited members to note International Manager Sarah Pollock's work to forge and develop links with international agencies before highlighting key activities from the year which will inform our future audit work and opportunities to share learning with colleagues.

Heather Logan asked if there had been any direct impact from our international engagement. Antony advised of a secondment opportunity working with the Office of the Auditor General of the Cayman Islands and access to the Canadian database which provided insight on their approach to housing. Looking ahead the Board discussed topics likely to feature more in next year's report including fraud and corruption and EU withdrawal.

Following discussion, the Board welcomed the report and approved it for publication.

Antony Clark, Chair of the International Steering Group, left the meeting.

24. 2017/18 Draft annual report and accounts

Stuart Dennis, Corporate Finance Manager introduced the 2017/18 Draft annual report and accounts, which had been previously circulated.

The Board approved the draft annual report and accounts which had been previously circulated and discussed at the earlier meeting of the Audit Committee and recommended that the Auditor General for Scotland, as Accountable Officer for Audit Scotland, sign the accounts on 12 June 2018.

Stuart Dennis, Corporate Finance Manager

Agenda

Wednesday 22 August 2018, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

1. Welcome and apologies
 2. Declarations of interest
 3. Decision on items to be taken in private For approval
-

Standing items

4. Chair's report – verbal update
 5. Accountable Officer's report – verbal update
 6. Accounts Commission Chair's report – verbal update
 7. Review of minutes: For approval
 - Board meeting, 6 June 2018
 8. Review of action tracker For information
-

Business performance

9. Q1 Corporate performance report For information
 10. Q1 Becoming world class improvement programme report For information
-

Governance

11. Scottish Commission for Public Audit: Report on Audit Scotland's 2017/18 Annual report and accounts For information
12. Annual review of Codes of conduct For approval
13. Proposed Board and Committee meeting schedule 2019 For approval
14. Any other business
15. Review of meeting
16. Date of next meeting: 26 September 2018

MEETING: 13 SEPTEMBER 2018

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the Commission members' extranet site, which provides more detailed news coverage in areas of interest to the Commission.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business

Publications

4. On 23 August, the Accounts Commission published its [Best Value Assurance Report: Glasgow City Council](#). The report found that the council has made steady progress over the last decade and has a clear plan to tackle the city's challenges. However, it also raised concerns that the potential cost of resolving equal pay claims may put the council under severe financial pressure. The report found that the council works well with its partners to support economic growth and has improved performance across many service areas. Commission members Graham Sharp, Alan Campbell and Pauline Weetman, as well as Secretary to the Commission Paul Reilly and Audit Director David McConnell, will meet with senior members and officers to discuss the report on 11 September. The council will meet to discuss the report and recommendations on 13 September.
5. On 24 August, the Accounts Commission and Auditor General published [Community Planning: an update – Impact report](#). The report found a mixed picture of progress against recommendations. Some changes brought about by the Community Empowerment (Scotland) Act 2015 are relatively recent, and it is too early to see the full impact on Community Planning Partnerships.
6. Audit Scotland collects [media coverage](#) on all the reports published by the Accounts Commission. Audit Scotland also provides a weekly summary of the [key media stories regarding local government](#). Both are available on the members' extranet.
7. The download statistics of the reports published over the last 12 months (as at 29 August) are set out in the **Appendix**.

Other business

8. At its last meeting, the Commission agreed to that it consider at its next meeting a draft response to the Scottish Government consultation on a consumer body for Scotland. A response is still being drafted by the Director of PABV and will be agreed with the Chair and considered by the Commission at its next meeting.
9. On 29 August, West Dunbartonshire Council formally considered and accepted the recommendations in the West Dunbartonshire Council BVAR, which was published on 28 June 2018. Audit Director Fiona Mitchell-Knight and Senior Audit Manager Carol Hislop attended the meeting, and Fiona Mitchell-Knight spoke to the report in front of the council.
10. Throughout September and October, the Commission will be hosting 'Council Connections' meetings to engage with council leaders about several areas of the Commission's work. The Commission is keen to discuss with council leaders and chief executives how the Commission's work affects councils and wants to hear about the experiences of councils. The meetings have been scheduled for 6 September (two meetings in Edinburgh), 10 September (one meeting in Inverness), 1 October (one meeting in Glasgow), and 29 October (two meetings in Glasgow), and are being held in locations around Scotland. All councils will be represented in these meetings.
11. On 4 October, Accounts Commission member Dr Sophie Flemig will be presenting an interactive and participative Knowledge Café on community empowerment, discussing why this is increasingly important in audit work.

Auditor General for Scotland

12. On 2 August, the Auditor General published her report on the [Forth Replacement Crossing](#). The report found that Transport Scotland's management of the Forth Replacement Crossing project delivered value for money and was effective, providing good budgeting, governance, quality assurance, and risk management processes. The report noted that it is too early to see whether some of the project's expected wider benefits have been delivered, and that more work needs to be done to demonstrate how the delivery of these benefits will be assessed.

Audit Scotland

13. On 1 August, Audit Scotland published its British Sign Language Draft plan 2018-24, which sets out how Audit Scotland will promote and support British Sign Language (BSL) in accordance with the BSL (Scotland) Act 2015. These include making audit work and the organisation accessible by: making the best use of technology to do this; promoting and supporting BSL; engaging with BSL users to develop proposed actions; providing support to colleagues, visitors, and potential future employees.
14. On 10 August, Audit Scotland hosted a round table event on communities. The group discussed how we define and assess progress within communities, and what transformational change and success look like. The event was attended by representatives from the Scottish Government, SCVO, COSLA, Scottish Community Safety Network, Scottish Parliament and International Futures Forum.

Issues affecting local government

Scottish Government

15. On 24 July, the Scottish Government published data on [planning application decision times](#). It found that the time taken to make Local Development decisions was 9 weeks

in 2017/18. This is 0.2 weeks faster than the 9.2 weeks recorded in 2016/17. Local housing applications and major development decisions were also quicker.

16. On 31 July, the Scottish Government published data on [free personal and nursing care in Scotland, 2016-17](#). The data shows that in 2016-17 local authorities spent £379 million on providing personal care for people living at home. This represents a [42 per cent increase over the previous ten years](#). In addition, payments to self-funding care home residents cost councils £123 million. This represents an 18 per cent increase over the same period. The Scottish Government plans to extend free personal care to all younger adults who need it by next year.
17. On 7 August, the Scottish Government published a report on [Exploring parents' views and use of Early Learning and Childcare in Scotland](#). The report looks at several key areas, including: use of ELC for eligible children; parents' reasons for using ELC; attitudes towards and hypothetical future uptake of the expanded 1140 hours entitlement; how much parents pay for ELC; and views on the quality and flexibility of ELC provision.
18. On 10 August, the Scottish Government launched a consultation [reviewing local governance and community engagement](#). The consultation is aimed at members of the public and asks questions about the types of changes that people want to see happen in communities. The Scottish Government will also be engaging with councils and public services to gain a better understanding of what initiatives might make a positive difference to how they operate on a local level. The consultation closes on 30 November. In my last report I reported that the Deputy First Minister and Cabinet Secretary for Education and Skills, the Cabinet Secretary for Communities, Social Security and Equalities, and the COSLA president setting out [the process for the engagement phase for the Local Governance Review](#). The Commission retains an interest in the ongoing review and I will update the Commission as appropriate.
19. On 16 August, the Scottish Government published a consultation on [guidance that seeks to make funeral costs easier to understand](#). The consultation and guidance is part of the Scottish Government's strategy to tackle funeral poverty, and sets out measures that burial authorities, crematoriums and funeral directors can take to make funeral costs transparent and more understandable. The funeral costs guidance consultation will run for 12 weeks. It is not proposed that the Commission responds.
20. On 20 August, the Scottish Government and COSLA [released 'Learning together': Scotland's national action plan on parental involvement, parental engagement, family learning and learning at home 2018-21'](#). The plan aims to ensure that parents are supported to be fully involved in their children's early learning setting or school, and to improve the skills of leaders, front-line practitioners and support staff. This includes a commitment to ensure that headteachers work collaboratively with their parent council and school community on matters of school policy and improvement.
21. On 22 August, the Scottish Government published the latest version of [Government Expenditure and Revenue Scotland](#) (GERS). It reported that Scotland's public finances have continued to show some improvement over the past year. It also found that the country has spent £13.4 billion more than it raised in taxes in the past financial year, and that deficit as a percentage of the country's GDP dropped from 8.9 per cent to 7.9 per cent, which is four times higher than the rate in the UK.
22. On 26 August, the Scottish Government announced the establishment of a new ['Internet of Things' network](#). The network, called IoT Scotland, will be the most advanced internet of things network in the UK and will enable all businesses to have the ability to monitor the efficiency and productivity of their assets and equipment,

enabling them to schedule maintenance and improve production. The network will initially cover Glasgow, Inverness, Edinburgh, Aberdeen, Dundee, Perth, and Stirling, with the aim of expanding it throughout Scotland.

23. On 27 August, the Scottish Government published [Transforming Social Care: Scotland's progress towards implementing self-directed support 2011-2018](#). The report aims outlines progress on the destination outcomes outlined in the [Self-directed Support Implementation Plan 2016-2018](#). It found that the development and embedding of large scale approaches to choice and control across an integrated health and social care landscape is underway.
24. In September, the Scottish Government published the [Scottish Household Survey Annual Report 2017](#). The survey provides information on the composition, characteristics, attitudes and behaviour of private households and individuals as well as evidence on the physical condition of Scotland's homes. The data shows that combined satisfaction with local health services, schools and public transport is at its lowest level since first measured in 2007. It currently lies at 52 per cent, compared to a high of 66 per cent recorded in 2011. Nine in ten felt their neighbourhood was a good or fairly good place to live, although this varied significantly depending on levels of deprivation. 29 per cent of adults in the most deprived areas felt their neighbourhood was a very good place to live, compared to 80 per cent in the least deprived. The survey also found that:
 - The total number of households in Scotland increased from 2.19 million in 1999 to 2.46 million in 2017 (13 per cent increase)
 - The proportion of adults without any qualifications is decreasing, and now stands at 16 per cent
 - 85 per cent of households have internet access in the home
 - More than half of adults reported that they were managing well financially, compared with 42 per cent in 1999.
25. On 3 September, [CIPFA released a survey](#) of accountants which showed that 57 per cent of the 487 respondents claimed that they had been put under pressure or had felt under pressure to act in a professionally unethical way. Respondents cited supporting excessively optimistic budgets and business cases, avoiding policies, standing orders and other regulations, and unreasonably downplaying risks as the three most common unethical actions.
26. On 4 September, Child and Adolescent Mental Health Services in Scotland (CAMHS) published [CAMHS in Scotland: Waiting Times, Service Demand, and Workforce](#). The data showed that a third of children referred to mental health services in Scotland are not seen within the 18 week target, and that only NHS Ayrshire and Arran, NHS Shetland, and NHS Western Isles met the government target to see 90 per cent of children within 18 weeks. [These are the poorest performance statistics since the 90 per cent target was introduced four years ago](#). The data also showed an increase in the number of children accessing child and adolescent mental health services. We will be publishing a performance audit report on children and young people's mental health on 13 September.
27. On 4 September, the Scottish Government published the [Government's Programme for 2018/19](#). The Programme has a focus on delivering a transformational expansion of early learning and childcare, developing the economy, improving public health, nurturing thriving communities, and supporting a creative, open and connected nation.

It commits to long-term level of infrastructure spend involving investing in schools, transport, digital connectivity and clean energy. It also commits to investing in improving mental health services available to children and young people. It pledges to implement new powers for head teachers, making them the key decision makers within their school. The programme contained [12 new bills](#). Those most relevant to local government are:

- Biometric Data Bill: Will establish a statutory code of practice covering the acquisition, use, retention and disposal of biometric data such as fingerprints.
- Budget Bill: It provides parliamentary approval for the Scottish government's spending plans.
- Consumer Protection Bill: Will establish Consumer Scotland, which will carry out investigations into areas of most pressing harm to consumers in Scotland, and propose solutions.
- Disclosure Bill: Will make amendments to the Protection of Vulnerable Groups (Scotland) Act 2007 to support the modernisation of the disclosure system.
- Electoral Franchise Bill: Will extend the franchise for Scottish Parliament and local government elections to protect the right to vote for EU citizens.
- Electoral Reform Bill: Will implement a range of electoral reforms and make changes to boundary reviews.
- Family Law Bill: Will place a particular focus on ensuring that the child's best interests are at the centre of any contact and residence cases.
- Female Genital Mutilation Bill: Will strengthen existing protection against Female Genital Mutilation. The bill will seek to introduce protection orders for women and girls at risk, and place guidance for professionals on a statutory footing.
- Non-Domestic Rates Bill: Will 'enhance and reform' the business rates system in Scotland through measures including a move to a three-year valuation cycle. It will also introduce measures aimed at improving the administration of the system, including a reduction in the number of appeals and improvements to the quality of information available. It will also deliver measures aimed at increasing fairness by reforming a number of tax reliefs and tackling known avoidance measures.
- Scottish National Investment Bank Bill: Will lead to the establishment of the Scottish National Investment Bank, which will provide investment, help companies grow and support the government's economic vision.
- South of Scotland Enterprise Agency Bill: Will establish a new enterprise agency for the south of Scotland, with a remit to drive inclusive growth and ensure the region benefits from a new approach that supports a diverse and resilient economy, sustains and grows communities, and harnesses the potential of people and resources.

Scottish Parliament

General

28. On 15 August, the Scottish Parliament Information Centre (SPiCE) published its [labour market update: August 2018](#). Using the latest regional labour market statistics and UK

labour market statistics from the Office for National Statistics, it found that employment increased in Scotland over the quarter, while the rates were unchanged in the UK. However, unemployment remains slightly higher than the UK, at 4.2 per cent against 4.0 per cent.

29. On 6 September, the Scottish Parliament announced [changes to the membership of several committees, including the Local Government and Communities Committee](#). The Local Government and Communities Committee's new remit is to 'consider and report on communities, housing, local government, measures against poverty, planning and regeneration matters falling within the responsibility of the Cabinet Secretary for Communities and Local Government. There are the following membership changes:
- James Dornan replaces Bob Doris (who is the outgoing Convener)
 - Annabelle Ewing replaces Jenny Gilruth.

Parliamentary Committee News

Local Government and Communities Committee

30. On 17 August, the committee published its [updated workplan](#). This includes three strategic priorities which will guide future inquiry work over the season. These priorities are: local government, the future of local democracy, local services and the financing and fiscal affairs of local government; the planning system and meeting the needs of communities for housing, place making and other developments; and empowering local communities. The committee will take evidence bi-annually from the Accounts Commission on our financial overview and overview of local government in Scotland.
31. The committee did not hold any meetings in July or August.

Public Audit and Post Legislative Scrutiny Committee:

32. The committee did not hold any meetings in July or August.

Finance and Constitution Committee:

33. The committee did not hold any meetings in July or August.

Other committees

34. On 21 August, the Economy, Jobs and Fair Work Committee announced that they will be launching an inquiry looking at [how the Scottish Government's Draft Budget 2019-20 promotes employment and encourages fair work](#), with a focus on Scotland's new employment support services; and the financing and support available to community and locally owned energy.

COSLA

35. On 30 August, COSLA and the Scottish Government announced the launch of a [refreshed joint strategy for older people; Age, Home and Community](#). The strategy promotes independent living for people within their community and supports the vision to ensure that older people have 'the right advice, the right home and the right support'.

Improvement Service

36. On 16 August, the Improvement Service announced that it has [appointed four technology partners](#) to further develop myaccount and its platform for digital public services. The new contracts will help myaccount maintain current services while developing new technologies and innovations to help meet emerging and future needs. Myaccount is a secure sign-in service for online public services in Scotland.
37. On 31 August, the Improvement Service published its [Economic Footprint Overview Report](#). The report looks at the contribution that local authorities make to Scotland's economy. The overview report focuses on three major corporate economic 'levers' that councils control or influence, in terms of their role as major employers, procurers of goods and services, and asset owners. One of the findings, highlighted by the Federation for Small Businesses, was that [the number of Scottish businesses winning work from their local council has almost halved over the last decade](#).

Solace

38. On 28 August, Solace UK wrote an open letter to the CIPFA chief executive Rob Whiteman which argued that [CIPFA's proposed financial resilience index is too simplistic](#) and will not provide a meaningful assessment of an authority's financial health. Solace is concerned about a risk that a negative assessment in one area would impact councils' wider resilience rating.

By-elections results

39. There have been no by-elections since my last report.

Other Scottish local government news

40. On 7 August, the Scottish Qualifications Authority (SQA) published data which showed that the [National 5 pass rate for A-C grades has fallen](#) to 77.4 per cent from 79.5 per cent. The Curriculum for Excellence [results figures](#) also show that [attainment in several qualifications including the Highers and the Advanced Highers has fallen](#), by nearly 34 per cent since 2013.
41. On 14 August, the homelessness charity Shelter released results of a survey it had conducted which found that 59 per cent of homes rented from a housing association did not meet the [Living Home Standard](#). This standard has been used to determine the minimum requirement for a good home. It is based on 39 criteria split into five areas: affordability, decent conditions, space, stability and neighbourhood. In comparison, 29 per cent of homes owned with a mortgage and 54 per cent of privately rented homes did not meet the standard.
42. On 17 August, The Ferret used data received from Freedom of Information requests which found that [local authorities in Scotland have spent £660 million between 2012 and 2017 in providing temporary accommodation for homeless people](#). The Ferret is an independent non-profit media cooperative in Scotland set up to investigate stories in the public interest.
43. On 24 August, NHS Health Scotland released a report that shows that [people living in the poorest areas in Scotland have double the rate of illness](#) or early death than those living in the wealthiest areas. It found that nearly a third of early deaths and ill health in

Scotland could be avoided if the whole population had the same life circumstances as those living in the wealthiest areas.

44. On 30 August, Stirling Council chief executive Stewart Carruth announced his resignation, effective from 31 August. Depute chief executive Carol Beattie will act as interim chief executive with immediate effect.
45. On 30 August, Holyrood magazine published an article called [Balance of power – and budgets](#), which makes several references to the work that the Accounts Commission has done on analysing real-term budget cuts to local government.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO)

46. [The SPSO's Newsletter - August](#) outlines investigation reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed investigations and decision reports, is available on the [Our findings](#) webpage. The Commission's Financial Audit and Assurance Committee will consider more detailed intelligence from the SPSO on a six-monthly basis (next at its September meeting).

Commissioner for Ethical Standards in Public Life in Scotland

47. On 9 August, following an investigation, the Commissioner submitted a report to the Standards Commission for Scotland setting out his conclusion that [Councillor Luciano Rebecchi of Inverclyde Council has contravened the Councillor's Code of Conduct](#) in certain respects. The complaint categories were 5.3, 5.5, 5.7, 5.10, and 7.4, which relate to declaring financial and non-financial interests.

Standards Commission for Scotland

48. On 28 August, the Commission held a hearing on [Councillor Anne Allan of Aberdeenshire Council](#) to determine whether she contravened the Councillor's Code of Conduct by failing to register her non-financial membership of the Rediscover Peterhead Business Improvement District (BID) Steering group. The conclusions are not yet available on line. On 21 September, the Commission will hold a hearing of Councillor Luciano Rebecchi to determine whether he has contravened the Councillor's Code of Conduct.

Care Inspectorate

49. On 31 July, the Care Inspectorate published its [joint inspection of services for older people in the Western Isles – Progress Review](#). It concluded that the partnership has responded well to recommendations laid out in 2015, and had made either very good or good progress in addressing almost all of them. It also found that more broadly the partnership was functioning much better than in 2015.

Her Majesty's Chief Inspector of Constabulary Scotland (HMICS)

50. On 15 August, the Scottish Police Authority announced the [appointment of Iain Livingstone as the Chief Constable of Police Scotland](#). He will take up the post on Monday 27 August and the appointment will be for a fixed term of four years with the possibility of extension in line with legislation.

UK Parliament

Communities and Local Government Committee

51. On 23 July, the committee heard from councillors from [rural local authorities on the impact on local government of the UK's withdrawal from the European Union](#), and the role that local authorities could play once withdrawal has happened. This meeting is the third evidence session in an ongoing inquiry, which is examining the risks to and opportunities for local government posed by the European Union withdrawal, and how local authorities can be properly represented in negotiations.

Public Accounts Committee

52. On 24 July, the committee [published its report on strategic suppliers](#). It concludes that contracting often does not lead to saving money for taxpayers or to encouraging innovation in the delivery of services. It also found that some companies opt to underbid for contracts, offering a price that they know they will not be able to deliver. It sets out recommendations to help to improve this situation.

Other UK Audit Bodies

National Audit Office

53. On 3 August, the NAO published its [Diversity and Inclusion Strategy 2018-21](#). The strategy has two main strands: building a diverse talent pipeline and creating an inclusive work environment. An annual report is published which highlights key achievements in relation to diversity and inclusion.

Other general – UK

54. On 23 July, the Local Government Information Unit (LGiU) launched the [Local Finance Scorecard](#), which aims to encourage a debate on local government finance in the UK. It outlines the different funding options for local government after 2020, giving each one a score based on feasibility and impact. The options include reforming business rates, reforming council tax, rethinking the division of money and responsibility between central and local government, considering other local taxes, and innovative funding.
55. On 24 July, [ministers published plans](#) to improve the performance and accountability of Local Enterprise Partnerships, after a review found that England's 38 LEPs are too complex, have poor governance structures and lack accountability. LEPs will receive up to £20 million of additional funding between 2018 and 2020 to support changes and embed their work into local industrial strategies.
56. On 27 July, auditors KPMG reported that [Northamptonshire County Council used over £8 million of ring-fenced public health grant funding for activities that did not meet grant conditions](#). The funding was used to support other council services. On 15 August, the High Court ruled that the [council's plan to close 21 out of its 31 libraries was unlawful](#).
57. In August, the New Local Government Network published its [leadership index](#), which asks council chief executives, leaders, and mayors across the UK about their level of confidence in key service areas and wider indicators of community wellbeing. It found that there was diminishing confidence in councils' power and resources to deliver services and in the broader economic, social and environmental health of their area.

58. On 1 August, the Office for National Statistics reported its [Country and regional public sector finances: financial year ending 2017](#). It found that Northern Ireland and Scotland had the highest expenditure per head in the UK in 2017, at £13,954 and £13,237 respectively.
59. On 7 August, the chief executive of the Chartered Institute of Public Finance and Accountancy Rob Whiteman warned that [more English councils are likely to reduce services to only offering 'core services'](#) as financial pressure on councils continues. East Sussex, Shropshire, and Somerset councils have all recently warned that they may have to make large cuts to savings. On 16 August, [Torbay council announced an immediate moratorium](#) on all non-urgent expenditure after the council's first quarter budget monitoring report forecast an in-year overspend of more than £2.8 million due to a substantial increase in the number of looked-after children.
60. On 8 August, the union [Unison UK lodged an official appeal](#) against the ruling that social care providers will no longer be required to pay £400 million in backpay to carers doing sleep-in shifts. Enforcement of the minimum wage is not a devolved issue, but the Scottish Government is in the process of providing additional money so that these shifts are funded as working time.
61. On 9 August, the Government released its [Civil Society Strategy](#), which aims to build stronger communities by bringing together businesses, charities and the public sector. Amongst the announcements in the strategy include plans to make £20 million available to community trusts, and commitments to support corporate social responsibility, improve the take-up of the Social Value Act, and renewed commitments to grants and the principles of the Compact. The Compact is a document that sets out a series of principles and commitments governing the relationship between the social sector and the government.
62. On 13 August, the Government announced the launch of [a £100 million government strategy which will help reduce levels of homelessness in England](#). The strategy has a three-pronged approach to tackling rough sleeping, including: preventing rough sleeping by providing timely support to those at risk; intervening to help homeless people receive targeted support; and helping people to recover and move out of homelessness quickly.
63. On 15 August, the think tank Localis published a report called [On the ropes: Social care provision under austerity](#). It found that most users of adult social care in the UK remain satisfied with the level of care and support they receive, but that increasing demand threatens to overburden authorities if funding is not increased. It also concluded that a rise in the number of looked after children was putting pressure on children's services.
64. On 18 August, the Local Government Association reported that [the number of children and young people being treated for Type 2 diabetes in England and Wales has increased by about 40 per cent in four years](#), and now stands at more than 700 cases. The chair of the LGA's community wellbeing board said that councils lack the resources to effectively tackle rising obesity rates amongst children.
65. On 23 August, the [County Councils Network \(CCN\)](#) reported analysis on figures released by the government which found that councils in England have overspent £816 million on children's care services in 2017/18. CCN said the overspend has been caused by an escalating demand for services, with the number of children under a protection plan increasing by 35 per cent in the last six years.

66. On 25 August, the Local Government Association announced that the numbers of [homeless children that councils are housing in temporary accommodation has increased](#) by 76 per cent in the last seven years in England and Wales. This represents an increase of around 53,000 since the summer holidays of 2011.
67. On 29 August, Age UK and Incisive Health published their joint report, [An international comparison of long term funding and outcomes: insights for the social care green paper](#). It found that England lags behind other countries in the modernisation of its social care systems for an increasingly ageing population. It found that designing a sustainable social care policy was a challenge everywhere, but that other countries had made an earlier start.

Conclusion

68. The Commission is invited to consider and note this report, in particular:
- in relation to paragraph 8, to note that a draft response to the Scottish Government consultation on a consumer body for Scotland will be agreed with the Chair and considered by the Commission at its next meeting
 - in relation to paragraph 19, to agree that no response be made to the Scottish Government consultation on funeral costs.

Paul Reilly
Secretary to the Accounts Commission
5 September 2018

APPENDIX:**ACCOUNTS COMMISSION REPORTS IN PAST 12 MONTHS - DOWNLOADS**

Report	Date	Report downloads	Podcast downloads
Community Planning – an update – Impact report	24 August 2018	46 (+46)	n/a
Glasgow City Council Best Value Assurance Report	23 August 2018	296 (+296)	<30 (+<30)
West Dunbartonshire Council Best Value Assurance Report	28 June 2018	456 (+140)	<30 (+<30)
Maintaining Scotland's roads: a follow-up report – Impact report	27 June 2018	233 (+84)	n/a
Accounts Commission annual report 2017/18	7 June 2018	381 (+47)	n/a
Accounts Commission engagement strategy and plan 2018/19	7 June 2018	192 (+37)	n/a
Accounts Commission Strategy and annual action plan 20018-23	7 June 2018	240 (+56)	n/a
Accounts Commission engagement plan 2017/18 progress	7 June 2018	47 (+<30)	n/a
Best Value Assurance Report: East Ayrshire Council	29 May 2018	804 (+178)	49 (+<30)
Best Value Assurance Report: Fife Council	24 May 2018	1189 (+140)	<30 (+<30)
Councils' use of ALEOs	17 May 2018	1107 (+201)	<30 (+<30)
Local government in Scotland: Challenges and performance 2018	5 April 2018	3300 (+325)	90 (+<30)
Local government in Scotland: Challenges and performance 2018 - Supplement	5 April 2018	153 (+36)	n/a
National Scrutiny Plan 2018/19	4 April 2018	550 (+76)	*
Statutory report on Edinburgh schools (Edinburgh City Council)	3 April 2018	977 (+60)	n/a
Statutory report on significant fraud in Dundee City Council	22 Mar 2018	1179 (+72)	119 (+<30)
Early learning and childcare	15 Feb 2018	3559 (+300)	140 (+<30)
Early learning and childcare - supplement	15 Feb 2018	391 (+119)	n/a
Falkirk Council Best Value follow-up audit 2017	1 Feb 2018	1686 (+121)	145 (+<30)
Best Value Assurance Report: Clackmannanshire Council	25 Jan 2018	1879 (+102)	<30 (+<30)
Best Value Assurance Report: Orkney Islands Council	14 Dec 2017	1147 (+55)	*
Local government in Scotland: Financial overview 2017	28 Nov 2017	3493 (+180)	38 (+<30)

Report	Date	Report downloads	Podcast downloads
Local government in Scotland: Financial overview 2017 – Supplement 1	28 Nov 2017	*	n/a
Local government in Scotland: Financial overview 2017 – Supplement 2	28 Nov 2017	315 (+49)	n/a
Local government in Scotland: Financial overview 2017 – Supplement 3	28 Nov 2017	159 (+33)	n/a
Local government in Scotland: Financial overview 2017 – Supplement 4	28 Nov 2017	76 (+<30)	n/a
Best Value Assurance Report: West Lothian Council	23 Nov 2017	1242 (55)	94 (+<30)
Best Value follow-up audit: East Dunbartonshire Council	16 Nov 2017	703 (+32)	79 (+<30)
Best Value Assurance Report: East Renfrewshire Council	07 Nov 2017	1512 (+77)	158 (+<30)
Equal pay in Scottish councils	7 Sep 2017	2673 (+201)	197 (+<30)
Best Value Assurance Report: Renfrewshire Council	31 Aug 2017	3016 (+236)	*
Self-directed support: 2017 progress report	24 Aug 2017	5690 (+380)	78 (+<30)
Self-directed support: 2017 progress report – Supplement 1	24 Aug 2017	35 (+<30)	n/a
Self-directed support: 2017 progress report – Supplement 2	24 Aug 2017	377 (+65)	n/a
Self-directed support: 2017 progress report – Supplement 3	24 Aug 2017	93 (+27)	n/a
Self-directed support: 2017 progress report – Easy read summary	24 Aug 2017	201 (+33)	n/a

Key:

(x) Increase in numbers since last month

* This figure is below 30

n/a Not applicable.

MEETING: 13 SEPTEMBER 2018**REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE****UK AND SCOTTISH RESPONSE TO THE GRENFELL TOWER TRAGEDY**

Purpose

1. This paper introduces the attached briefing paper on UK and Scottish responses to the Grenfell Tower tragedy.

Background

2. The Commission's performance audit programme, published jointly with the Auditor General, includes a commitment to produce a joint briefing paper on the UK and Scottish responses to the Grenfell Tower tragedy. The attached paper fulfils this commitment.

Key messages from the briefing paper

3. The Grenfell Tower tragedy of June 2017 has generated significant activity to identify whether any other high rise building could be exposed to the same factors which caused the rapid spread of fire, and to consider building standards as they related to fire safety.
4. With regard to whether another Grenfell Tower-type fire could occur in Scotland, investigations have been able to confirm that:
 - Use of aluminium composite material (ACM) cladding in high rise tower blocks of the type used in Grenfell Tower has been confined to two privately owned buildings in Glasgow. The developer has agreed to pay for replacement cladding for these buildings.
 - No Scottish local authority owned school buildings above 18 metres have used ACM. Usage of ACM has been identified on 44 low rise school buildings across 13 local authorities but councils have confirmed they are taking the necessary action to ensure the fire safety of their school estate.
 - Usage of ACM in other public sector buildings has also been limited. Where found, ACM cladding has been replaced as a precaution.
5. With regard to building standards and fire safety, the UK Government's Independent Review of Building Regulations and Fire Safety found that the current system in England is not fit for purpose, and that there was a need for culture change to support the delivery of buildings that are safe. The Review's final report in May 2018 recommended a new regulatory framework intended to create a more simple and effective mechanism for ensuring building safety.
6. In Scotland, reviews of building standards and fire safety have been undertaken alongside considering the findings of the Independent Inquiry into the Construction of Edinburgh Schools. The two review groups appointed by the Scottish Government

were critical of the way the construction industry operated and the levels of inspection and scrutiny it was subject to. Amongst other things, the review groups called for:

- A better mechanism to consider design and construction plans for high rise and complex buildings.
 - Enhanced fire safety requirements covering building materials used, fire suppression systems and means of warning and escape.
 - A strengthened building inspection regime, including a more risk based approach to the work of councils' Building Standards services, and a greater focus on checking compliance of the actual construction of buildings.
7. In particular, the Compliance and Enforcement in Building Standards Review Group expressed concerns about the current capacity and capability of councils to provide the required level of service. These concerns included the significant reduction in the number of staff over recent years, the number of staff in Building Standards services nearing retirement age and the difficulty being experienced in recruiting qualified staff to fill posts. This lack of resource was considered to have contributed to many instances of non-compliance with the statutory requirements of building warrants, such that councils' current approach to enforcement of compliance was largely ineffectual.

Conclusion

8. The Scottish Government is currently consulting on the recommendations of its review groups but it is clear that if they are accepted they will likely take several years to implement fully. Audit Scotland will therefore continue to monitor developments in this area through programme development work.
9. The Commission is invited to:
- Note the briefing paper.
 - Agree to the further monitoring of the response to the Grenfell Tower tragedy, especially as it relates to the development of Building Standards services.
 - Note that I will report back on this matter in due course.

Fraser McKinlay
Director of Performance Audit and Best Value
4 September 2018

Briefing Paper:

The UK and Scottish Response to the Grenfell Tower Tragedy



Prepared for the Accounts Commission and Auditor General for Scotland
August 2018

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Introduction

1. This paper sets out the UK and Scottish public sector's response to the Grenfell Tower tragedy. The tragedy occurred at the same time as the Scottish Government was considering the report of the Independent Inquiry into the Construction of Edinburgh Schools led by Professor John Cole. As such, the action being taken in Scotland covers both matters and is still ongoing.

Background

2. The Grenfell Tower fire broke out on 24 June 2017 in the 24-storey Grenfell Tower block of public housing flats in North Kensington, London. Information released to date suggests that the fire was started by a faulty fridge on the fourth floor. It is believed that the external cladding system installed as part of a recent refurbishment of Grenfell Tower contributed to the rapid spread of the fire.
3. The cladding was made of Aluminium Composite Material (ACM). ACM is a generic name (there are a number of products on the market) for a type of flat panel consisting of two thin aluminium sheets (0.5mm) held together with a core insulating filler, typically between 3 and 7mm thick. In the case of Grenfell Tower, it would appear that the cladding also had an air cavity between the outer aluminium panel and the insulation layer¹. Fire experts have reported that the gap between the cladding and the insulation worked like a chimney to spread the fire.
4. The City of Edinburgh Council (CEC) commissioned Professor John Cole to conduct an inquiry into the construction of Edinburgh schools in June 2016. This followed the collapse of an external wall at Oxburg Primary School in January 2016. Structural engineers found that the collapse was as a result of a failure to properly tie the inner and outer layers of the wall to the steel 'skeleton' of the building. Investigations into other Edinburgh schools found similar problems. 17 schools affected were closed on safety grounds while remedial work was undertaken.
5. Professor Cole published his [report](#) in February 2017. The report's findings included:
 - The collapse of the wall was due to poor construction and inadequate supervision.
 - Insufficient independent quality assurance and poor record keeping by CEC and the special purpose vehicle appointed to build and manage the schools.
 - Ineffective quality assurance measures within the construction industry.
 - CEC made the correct decision to close the 17 schools.

¹ Details of the cladding used in Grenfell Tower can be found [here](#)

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- The alternative education arrangements put in place for over 8,300 pupils was a 'remarkable feat'.
 - The issues identified in Edinburgh were likely to be more widespread.

Further details on the report's findings, and a similar inquiry conducted by Professor Cole at the behest of Dumfries and Galloway Council in 2017 on its DG One project, are at Annex A.

The UK Government's response to Grenfell Tower

6. The UK Government commissioned the Independent Review of Building Regulations and Fire Safety following the Grenfell Tower tragedy in June 2017. Dame Judith Hackitt chaired the review, which produced an [interim report](#) in December 2017 and a [final report](#) in May 2018.
7. The interim report identified that the current system of building regulations and fire safety is not fit for purpose and that a culture change is required to support the delivery of buildings that are safe. The system failure identified in the interim report was considered to have allowed a culture of indifference to perpetuate. The final report proposes a new regulatory framework intended to:
 - Create a more simple and effective mechanism for ensuring building safety
 - Provide stronger oversight of dutyholders with incentives for the right behaviours, and effective sanctions for poor performance
 - Reassert the role of residents.

Further details on the reports' findings are at Annex B.

Scottish building regulations and high rise domestic tower block cladding

8. Since 2005, Scottish building regulations have stated that cladding and insulation on high rise domestic buildings (over 18 metres i.e. four to six storeys) should either be made of non-combustible materials, or the whole cladding system has been subjected to a stringent fire test. The regulations apply to new builds and re-cladding work to existing high rise domestic buildings. While this means that the type of cladding used on Grenfell Tower should not be used in high rise domestic buildings in Scotland, it is worth noting that the Scottish regulations on domestic tower blocks are not significantly different from those in England.
9. In some controlled circumstances, specified by Scottish building regulations, some ACM products can be used as part of cladding systems in high rise non-domestic properties. These buildings (hospitals, shopping centres, elderly care homes etc) are required to have many additional fire protection measures such as enhanced fire alarm systems, sprinklers

and enhanced means of escape provision, as well as a requirement to undertake regular fire risk assessments. ACM products may also be used in low rise domestic properties because the fire service can more easily deal with a fire in these types of building.

The Scottish Government's response to Grenfell Tower

10. The Scottish Government's immediate response to Grenfell Tower was to establish a Ministerial Working Group on building and fire safety in June 2017. The working group was chaired by the Cabinet Secretary for Communities, Social Security and Equalities. It also comprised:
 - The Minister for Local Government and Housing
 - The Minister for Community Safety
 - Representatives from the Scottish Fire and Rescue Service
 - Scottish Government officials.
11. The working group's first step was to undertake an information and intelligence gathering exercise on the use of ACM in high rise buildings in Scotland. Findings from this exercise include:
 - All 32 councils reported that ACM has not been used in cladding systems in local authority or registered social landlord high rise domestic properties.
 - 31 councils reported that no privately owned high rise domestic properties have ACM in their cladding system. Glasgow City Council reported two multi-storey tower blocks as being substantially clad with ACM. The developer has agreed to pay for replacement cladding for these buildings.
 - No Scottish local authority owned school buildings above 18 metres have used ACM.
 - Usage of ACM has been identified on 44 low rise school buildings across 13 local authorities (about one percent of the school estate). Returns have indicated that different types of ACM have been used and the extent of coverage on individual buildings varies significantly. All councils have informed the Scottish Government that they have undertaken appropriate fire risk assessments and are taking the necessary action to ensure the fire safety of their school estate.
 - Universities and colleges mostly confirmed that ACM has not been used in their buildings. Napier University identified cladding in one of its student residences that is thought to be similar to the cladding used in Grenfell. The university has taken steps to replace this cladding as a precaution.

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- All health boards in Scotland confirmed that none of their buildings above 18 metres use exactly the same type of cladding reported to have been used on Grenfell Tower. ACM has been used on parts of the Queen Elizabeth University Hospital of a similar type to, but not the same as, the material used at Grenfell Tower. NHS Greater Glasgow and Clyde has removed these panels as a precaution.
12. The Ministerial Working Group also established three sub-groups to concentrate on specific categories of work:
- The Fire Regulations in Building Standards Review Group chaired by Dr Paul Stollard. Its remit is to consider the appropriateness and relevance of current fire safety standards and guidance. The Group is supported by an international panel of experts to give an international perspective.
 - The Compliance and Enforcement in Building Standards Review Group chaired by Professor John Cole. Its remit is to review the building standards system, including the legislative requirements, in light of the findings of the Edinburgh Schools Inquiry report and the UK government's Independent Review of Building Regulations and Fire Safety.
 - The Fire Safety Regime Review Advisory Group co-chaired by two Scottish Government officials. Its remit is to ensure that the fire safety regime and regulatory framework in Scotland provides comprehensive protection to residents of high rise domestic buildings. It will also consider the practicalities of implementing recommendations coming out of the other two Review Groups. It is expected to report to the Ministerial Working Group later in September 2018.
13. The first two named Review Groups published reports in June 2018. The Fire Regulations in Building Standards Review Group [report](#) found:
- The current structure of mandatory functional standards supported with performance based or prescriptive guidance in Technical Handbooks was fundamentally sound and should be retained.
 - A better mechanism is required to consider design and construction plans for high rise and complex buildings. This could include a central 'hub' of experts to verify fire safety engineering solutions for new buildings and possibly also those undergoing major refurbishment.
 - The "reaction to fire" standards required for external walls and cladding used in buildings of more than 18 metres should be extended to cover buildings of more than 11 metres. This being the height that can be covered by ground mounted water jets.
 - In domestic buildings over 18 metres there should be two stairways and fire service activated evacuation sounders in each floor.

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- The requirement for automatic fire suppression systems should be extended to include houses in multiple occupation of over 10 residents and those used for “care” 24/7.
14. The Compliance and Enforcement in Building Standards Review Group [report](#) found there was a need to strengthen compliance in relation to statutory procedural requirements and in addressing non-compliant work on site. Many of the report’s conclusions and recommendations are influenced by Professor Cole’s reports on Edinburgh Schools and DG One:
- There is a need to rebalance the focus of Building Standards’ resources from checking compliance of design intent towards checking compliance of the actual construction of buildings. This should involve a risk-based approach which focusses on those buildings in which non-compliance with the regulations would present most risk to the population.
 - The risk based approach would require a differentiation between larger, more complex, higher risk buildings (which represent approximately twenty per cent of applications) and smaller less complex buildings in terms of the levels of information required from developers, and the nature and level of on-site inspections by verifiers.
 - Immediate priority must be given by verifiers to strengthen their inspection regimes, so as to address what would appear to be systemic defects across the industry in relation to frequent inadequacies in the construction of masonry walls and the installation of fire-stopping.
 - The Panel expressed concerns as to the current capacity and capability of the staff resource within councils to provide the required level of service. These concerns included the significant reduction in the number of staff over recent years, the number of staff in Building Standards services nearing retirement age and the difficulty being experienced in recruiting qualified staff to fill posts.
 - This lack of resource has contributed to recent problems including many reported failures to ensure that developers comply with the full procedural requirements of the legislation in relation to design warrants, amendments to warrants, notifications and completion certificates. The current approach to enforcement of compliance by councils was considered to a large degree to be ineffectual.
15. Recommendations include:
- A review of current staffing numbers and qualifications in councils’ Building Standards services across Scotland, together with the development of appropriate training courses and attractive career pathways.

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- The introduction of mandatory notifications and further expansion of completion certificates to include safety critical features of the building.
 - The introduction of a new documented compliance plan approach from pre-application to completion stage.

16. The Scottish Government is currently consulting on the reports' recommendations.

Other council action being taken

17. As well as undertaking the building surveys which provided the assurances outlined in paragraph 11 above, several councils with high rise domestic properties have provided members' briefings and/or reported to their housing and equivalent committees about action being taken in response to Grenfell. For example, the City of Edinburgh Council reported to its Housing and Economy Committee in September 2017:

- The results of recent fire inspections carried out jointly with the Scottish Fire and Rescue Service (SFRS). These identified no major concerns.
- Residents have been invited to a join new Fire Safety Tenants and Residents Panel, intended to allow the council to develop its understanding of residents' views on fire safety. A key safety concern expressed by tenants is the risk of fire arising from blockages to chute and bin waste management systems used in council owned tower blocks.
- A Fire Safety Working Group has been established involving the council, the SFRS and NHS Lothian. Among other issues , the group is expected to explore better ways of supporting more vulnerable tenants to reduce fire risk.

18. Other councils have announced a range of other actions being taken such as upgrades to existing smoke alarms and fire detection systems. Councils have also been active in reassuring residents about fire safety issues. Most councils have provided updates on websites or in community newsletters confirming the absence on ACM from local authority-owned high rise domestic properties.

Findings of the Independent Inquiries into Edinburgh Schools and DG One

Independent Inquiry into the construction of Edinburgh Schools

1. On the morning of Friday 29 January 2016, after a heavy storm had hit many parts of Scotland, part of an external wall collapsed at Oxgangs Primary School in Edinburgh. The collapse happened hours before the school day started, with approximately nine tons of masonry falling onto a footpath immediately below the wall.
2. Oxgangs Primary School was built in the first decade of this century along with 16 other schools built in Edinburgh through a public private partnership. After the Oxgangs wall collapse, structural engineers undertook visual inspections of the other PPP schools in Edinburgh. Based upon the visual inspections, the structural engineers advised that these schools were safe to occupy.
3. The structural engineers also investigated the reasons for the collapse of the wall at Oxgangs. Their report in February 2016 found that the strength of the wind on the morning of 29 January was not sufficient to cause the failure of the masonry panel, if it had been built correctly. The structural engineers found that the leaves of the cavity wall had been built too far apart. They also found that a significant proportion of the wall ties, intended to link the outer leaf of masonry to the inner leaf, were not long enough to do so, even if the cavity had been of the specified width.
4. As well as initiating investigations and remedial work at Oxgangs Primary School, Edinburgh Schools Partnership (ESP), the special purpose vehicle with responsibility for the Edinburgh PPP schools, instructed structural engineers to undertake intrusive surveys of all 17 schools. These found that similar issues to Oxgang affected all the other schools built under the PPP contract in Edinburgh.
5. In undertaking remedial work to Oxgangs, contractors found that header ties were also missing. In these types of buildings, header ties fix the masonry to the steel structure and the absence of these ties create a risk that the masonry could fall into the building. The City of Edinburgh Council (CEC) and ESP considered it was possible that similar high-risk faults could be found on the remainder of the PPP estate. As a result, they concluded the schools were not safe to be occupied and were closed forthwith.
6. The City of Edinburgh Council (CEC) commissioned Professor John Cole to conduct an inquiry into the construction of Edinburgh schools in June 2016. Professor Cole's [report](#), in February 2017, confirmed the decision to close the schools was correct and commended

CEC for the prompt action take to accommodate the pupils affected in other schools. However, the inquiry report found widespread failings in the management of the Edinburgh schools construction projects, which were likely to have been replicated elsewhere.

7. Key findings included:

- The primary cause of the collapse of the wall at Oxfangs school was poor quality construction in the building of the wall, including the direct laying of the bricks and positioning of the wall ties, the direct supervision of those carrying out the works and the quality assurance processes used to confirm the quality of construction.
- While the financing method for the projects was not responsible for the defective construction, CEC's expectation that construction risk would be transferred to the contractor meant that it did not have in place properly resourced and structured scrutiny of the building work. CEC over-relied on others in the project structure, including those building the schools, to fulfil this essential role.
- The contract could have been clearer on the responsibilities of the Independent Certifier in respect of the level of scrutiny they were expected to provide. The contract should also have made clearer the degree of reliance that could reasonably have been placed on the issue of Availability Certificates as evidence that the quality of construction was fully compliant with project requirements.
- The contract contained a requirement for the preparation and maintenance of as-installed drawings and related documentation. ESP and its sub-contractors paid insufficient attention to this requirement.
- There were fundamental and widespread failures of the quality assurance processes of the various contractors and sub-contractors who built or oversaw the building of the schools. They failed to identify and rectify both defective construction of the cavity walls and the omission of the proper incorporation of the required wall ties.
- Public sector clients should not largely rely on the quality assurance processes of contractors for confirmation that buildings have been properly constructed. The normal role of Independent Certifiers is no way replicates the level of close on-going independent scrutiny or inspection of construction that is provided by a Clerks of Works service.
- CEC failed to appreciate the demands of the PPP process in terms of the need for adequate internal resources and external support to allow the council to act as an intelligent client.
- There was a common misconception that just because a building had successfully gone through the statutory Buildings Standards process, the quality of its construction can be relied upon. Limited resource of qualified staff meant that CEC's Building

Standards Department's visits to the school sites tended to relate to checks on drainage, rather than to the compliance of other aspects of the construction.

- It was not reasonable to expect the level and frequency of inspection visits by Building Standards to identify the construction failures which were later found. If the Independent Certifier's inspections were also not at this level, then this represents a gap in the level of assurance provided to the public sector client.
 - There was widespread failure to comply with the statutory requirements of the building standards system in Scotland. Issues of non-compliance included failure to submit notifications of the intention to start work; starting work without approved warrants; failures to submit requests for amended warrants; and occupying schools in advance of the issue of a temporary occupation or completion certificate.
8. The Scottish Parliament's Education and Skills Committee conducted a short inquiry into the safety of school buildings following the publication of the Inquiry report. The Committee's [report](#), in October 2017, endorsed the findings of the Independent Inquiry.

Independent Inquiry into the construction of the DG One complex in Dumfries

9. Dumfries and Galloway Council conceived the DG One complex in 1998 as an energy-efficient building that would provide a wide range of high quality sporting and leisure facilities for the public and act as a catalyst for the further economic regeneration of Dumfries. Construction began in 2006 and the complex opened in 2008 at a cost of £17.3 million. Initial concerns in relation to the quality of construction were first raised before it opened.
10. The most significant problems that emerged were associated with the quality of construction of the swimming pool enclosures and the internal tiling to them. Over the years, and despite regular attempts by the main contractor (Keir Northern) to rectify the faults, there were repeated failures of the tile linings and leaking from the pools into adjacent areas. A wide range of other defects also became apparent in the period after opening relating to the build quality of the external and internal fabric, the specification and detailing of installed elements, such as fire-stopping, and the building's environmental performance. The defects have caused the building to be closed since October 2014.
11. The recurrence and identification of more defects led the council in 2011 to appoint advisers to prepare a legal case for compensation against Kier Northern. Eventually, in March 2016, Kier Northern agreed to pay the council £9.5 million as being in full and final settlement of all claims relating to the DG One building.

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12. At the same time, the council began the process of appointing a contractor to undertake remedial works. This led, in May 2016, to an agreement with McLaughlin and Harvey to carry out remedial works at a cost of £9.8 million to the council. However, in February 2017, the council identified significant additional defects that would require the total demolition of the external masonry walls to the main rotunda. This, together with the identification of other previously identified defects, meant a doubling of the estimated cost of remedial works to £21.0 million.
 13. In July 2017, the council appointed Professor John Cole to undertake an Independent Inquiry into the construction of the DG One complex to help inform what could have been done to prevent the problems, and what should be done to prevent recurrence of the same problems in future projects. The Inquiry [report](#) was published in May 2018.
 14. It is striking how many of the DG One Inquiry's findings have parallels with the Edinburgh schools Inquiry findings. The findings include:
 - The extent and nature of the defects discovered are evidence of a lack of care, attention, basic construction skills and understanding of some of the fundamental principles on the part of those who built the building and those who supervised them.
 - The council's failure to appoint an experienced building construction project manager to oversee the development of the DG One project was a contributory factor to the subsequent failures in the project.
 - Throughout the implementation of the original project and the development of the remedial project, the council failed to allocate the appropriate internal level of resources in terms of expertise, experience or time resource. It also failed to provide effective strategic and executive project leadership to the level normally expected of an informed client body.
 - The council failed to provide the required level of informed independent scrutiny in the original construction of DG One. Arrangements for monitoring of the quality of the works on site, essentially using a part-time Clerk of Works with limited relevant experience, were inadequate.
 - The choice of design and build for the project aimed to transfer risks to the contractor but was not in the best interest of the council. The risks attached to this decision were increased in light of the poorly resourced and inexperienced client interface with the contractor. It also led many in the council to take a misconceived view that it had limited rights to question the design and construction processes.
 - There were widespread infractions in complying with statutory building standards. These included failure to obtain all building warrants necessary before construction is allowed to commence and a failure to obtain the proper completion certificates before the building was in full public use.

Independent Review of Building Regulations and Fire Safety

15. The Independent Review of Building Regulations and Fire Safety's [interim report](#) in December 2017 identified that the current system of building regulations and fire safety is not fit for purpose and that a culture change is required to support the delivery of buildings that are safe. The system failure identified in the interim report was considered to have allowed a culture of indifference to perpetuate. More specifically:
 - The roles and responsibilities of those procuring, designing, constructing and maintaining buildings are unclear.
 - The package of regulations and guidance (in the form of Approved Documents) can be ambiguous and inconsistent.
 - The processes that drive compliance with building safety requirements are weak and complex with poor record keeping and change control in too many cases.
 - Competence across the system is patchy.
 - The product testing, labelling and marketing regime is opaque and insufficient.
 - The voices of residents often go unheard, even when safety issues are identified.
16. The [final report](#) in May 2018 proposes a new regulatory framework designed to address these failings. In particular, the new regulatory framework is intended to:
 - Create a more simple and effective mechanism for driving building safety.
 - Provide stronger oversight of dutyholders with incentives for the right behaviours, and effective sanctions for poor performance.
 - Reassert the role of residents.
17. In making these changes, the new framework is expected to radically enhance the current model of responsibility so that:
 - Those who procure, design, create and maintain buildings are responsible for ensuring that those buildings are safe for those who live and work in them.
 - Government will set clear outcome-based requirements for the building safety standards which must be achieved.
 - The regulator will hold dutyholders to account, ensure that the standards are met and take action against those who fail to meet the requirements.
 - Residents will actively participate in the ongoing safety of the building and must be recognised by others as having a voice.

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18. The new regulatory framework focused, in the first instance, on multi-occupancy higher risk residential buildings (HRRBs) that are 10 storeys or more in height. It proposes:
- A new Joint Competent Authority (JCA) comprising Local Authority Building Standards, fire and rescue authorities and the Health and Safety Executive to oversee better management of safety risks in HRRBs across their entire life cycle.
 - A mandatory incident reporting mechanism for dutyholders with concerns about the safety of a HRRB.
19. Specific recommendations include:
- Improving the focus on building safety during the design, construction and refurbishment phases through:
 - A set of rigorous and demanding dutyholder roles and responsibilities to ensure a stronger focus on building safety, based on those set out in the Construction (Design and Management) Regulations 2015.
 - A series of robust gateway points to strengthen regulatory oversight that will require dutyholders to show to the JCA that their plans are detailed and robust; that their understanding and management of building safety is appropriate; and that they can properly account for the safety of the completed building.
 - A stronger change control process that will require robust record-keeping by the dutyholder of all changes made to the detailed plans previously signed off by the JCA.
 - A single, more streamlined, regulatory route to oversee building standards as part of the JCA to ensure that regulatory oversight of these buildings is independent from clients, designers and contractors. Oversight of HRRBs will only be provided through Local Authority Building Standards as part of the JCA.
 - More rigorous enforcement powers. A wider and more flexible range of powers will be created to focus incentives on the creation of reliably safe buildings from the outset.
 - Improving the focus on building safety during the occupation phase through:
 - A clear and identifiable dutyholder with responsibility for building safety of the whole building. The dutyholder during occupation and maintenance should maintain the fire and structural safety of the whole building.
 - A requirement on the dutyholder to present a safety case to the JCA at regular intervals to check that building safety risks are being managed appropriately.
 - Clearer rights and obligations for residents to maintain the fire safety of individual dwellings, working in partnership with the dutyholder. This will include a

combination of transparency of information and an expectation that residents support the dutyholder to manage the risk across the whole building.

- A regulator for the whole of the building (the JCA) in relation to fire and structural safety in occupation who can take a proactive, holistic view of building safety and hold dutyholders to account.
- Giving residents a voice in the system through:
 - Providing reassurance and recourse for residents of all tenures by providing greater transparency of information on building safety.
 - Better involvement in decision-making, through the support of resident associations and tenant panels.
 - A route for residents to escalate concerns on fire safety through an independent statutory body that can provide support where service providers have failed to take action.
- Setting out demanding expectations around improved levels of competence through:
 - The construction sector and fire safety sector demonstrating more effective leadership for ensuring building safety amongst key roles, including an overarching body to provide oversight of competence requirements.
- Creating a more effective balance between government ownership of building standards and industry ownership of technical guidance by:
 - Moving towards a system where ownership of technical guidance rests with industry as the intelligent lead in delivering building safety.
 - A package of regulations and guidance that is simpler to navigate but that genuinely reflects the level of complexity of the building work.
- Creating a more robust and transparent construction products regime through:
 - a more effective testing regime with clearer labelling and product traceability, including a periodic review process of test methods and the range of standards in order to drive continuous improvement and higher performance and encourage innovative product and system design under better quality control.
- Creating a golden thread of information about each HRRB by:
 - Obligating the creation of a digital record for new HRRBs from initial design intent through to construction and including any changes that occur throughout occupation. This information will be used by the dutyholders to demonstrate the safety of the building throughout its life cycle.

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20. Finally, the report stresses the importance of government developing a joined-up implementation plan to provide a coherent approach to delivering the recommendations.

MEETING: 13 SEPTEMBER 2018

REPORT BY: SECRETARY TO THE COMMISSION

ETHICAL GOVERNANCE

Purpose

1. This report updates the Commission on its governance of ethical matters.

Background

2. At its meeting on 12 October 2017, the Commission endorsed the new audit quality framework. In doing so, it noted that further discussion between the Secretary and Assistant Auditor General would take place with regard to the role of Ethics Partner, including ethical advice in relation to, for example, non-audit services, to be reported further to the Commission.
3. A report in this regard was submitted to the Commission at its meeting on 7 December 2017. The Commission noted advice from the Chair that, following discussion with the Secretary, he had agreed to defer consideration of the report. This report updates the Commission further discussions in this regard between the Secretary, Pauline Weetman (as chair of the Financial Audit and Assurance Committee) and Fiona Kordiak (as Audit Scotland's Ethics Partner).
4. The paper recognises that the Commission needs support in relation to, firstly, the Financial Reporting Council (FRC) Ethical Standard, which specifies ethical requirements of auditors in both the private and the public sectors; and secondly, the Ethical Standards in Public Life Framework, which sets out the requirements of the ethical conduct of members of the Accounts Commission.

Ethical Standard and Ethics Partner

5. Ethical and audit engagement standards are issued by the FRC for auditors in the private sector. The FRC states that these also apply to "public sector financial statements audits in the UK including those carried out for the national audit agencies". The FRC notes that while "the standards governing the conduct and reporting of financial statements audits are a matter for the national audit agencies to determine.... the heads of the agencies in the UK have chosen to adopt the ethical, engagement and quality control standards issued by the FRC for audits as the basis of their approach to the audit of financial statements."¹
6. The 2016 Code of Audit Practice approved by the Commission and the Auditor General requires auditors appointed by them – thus Audit Scotland and the appointed firms - to carry out their audits in accordance with those standards as a term of their appointment.
7. The FRC Ethical Standard sets out that the firm (including for this purpose Audit Scotland) shall designate an individual possessing the necessary seniority, relevant

¹ Financial Reporting Council, [Scope and Authority of Audit and Assurance Pronouncements](#), March 2013.

experience, authority and leadership levels (the 'Ethics Partner') as having responsibility for ensuring the firm's compliance with the requirements of the Ethical Standard.²

8. At its meeting on 13 November 2014, the Commission agreed as a matter of policy to adopt the principles of the FRC standards, particularly the Ethical Standard, to its own work. The Commission took the view that whilst it has appointed the local auditor and thus does not carry out financial statements audits, it does publish performance audit reports in its own name and issues findings on reports by the Controller of Audit that it considers, and thus it is acting as an auditor in relation to performance audits and as a significant element of the overall audit process when it issues findings.
9. The Ethical Standard recognises that "in the public sector the statutory scope of the audit can extend beyond financial statements to include reporting on arrangements for the proper conduct of [an audited body's] affairs, management of its performance or use of its resources".³ Nevertheless, the Standard is strongly based around the core work being a statutory audit of financial statements, and thus strictly speaking the "audit" role of the Commission does not fall within the technical definition. Consequently, there is no requirement for there to be an Ethics Partner for the Commission, as defined in the Ethical Standard. It is, however, sensible for the Commission to acknowledge the relevance and importance of the Ethical Standard and be aware that it does apply to all of their appointed auditors including Audit Scotland staff.
10. The Assistant Auditor General had for a number of years provided the Commission with advice on matters relating to the FRC Ethical Standard. The new audit quality framework sets out that the Director of Audit Services will now be the Ethics Partner for Audit Scotland (as an auditor).
11. New audit quality arrangements adopted by the Commission have established an Audit Quality and Appointments (AQA) team (previously called Appointments and Assurance Team), led by an associate director. The audit quality framework sets out that the AQA will:
 - provide independent assurance on audit quality and support the implementation of the framework across all audit work and providers
 - provide advice and guidance to the Accounts Commission and the Auditor General on ethical standards issues in accordance with FRC's revised Ethical Standard 2016.
12. Discussions are ongoing as to what this means in practice for the Commission, but this will primarily involve liaison between the Secretary and the Associate Director, AQA. An update – to confirm the conclusion on the matter - will be provided to the next meeting.

Non-audit services

13. In considering the audit quality reports over last year, Commission members expressed particular interest in governance around so-called 'non-audit services'. Auditors can carry out additional work for an audited body beyond the audit work for which they have been appointed. This is defined in the Ethical Standard as non-audit services. Non-audit services represent a risk to the quality and independence of the audit, for example around self-interest or self-review. The Ethical Standard sets limits on what work auditors can do, and how much they can do.
14. The audit quality framework sets out that independence underpins the approach to audit quality. The Accounts Commission and Auditor General are independent of the audited

² Financial Reporting Council, [Ethical Standard 2016](#).

³ Financial Reporting Council, [Ethical Standard 2016](#), Paragraph I1

bodies within their remits. Audit appointments are therefore only made by the Commission and Auditor General after consideration of actual or potential conflicts of interest. Accordingly, auditors must seek agreement from the Commission or Auditor General to undertake such non-audit services. Any proposed non-audit services need to be considered carefully in line with the FRC Ethical Standard and taking into account the wider scope of public audit before approval is given.

15. Auditors' letters of appointment state that "*In considering whether or not to approve non-audit work, Audit Scotland shall have regard to any policy statement on non-audit work by appointed auditors adopted by the Auditor General and the Accounts Commission for Scotland.*" The policy statement on non-audit services is included in the annual audit planning guidance and has not been changed for many years. It needs to be updated following the changes to audit quality arrangements in the last year.
16. The Assistant Auditor General was for a number of years responsible for approving requests for non-audit services. The new audit quality framework sets out that AQA is responsible for ensuring non-audit services work is appropriate and compliant with the FRC Ethical Standard. There was some ambiguity about how this responsibility interacted with Audit Scotland's Ethics Partner.
17. Following discussions between the Secretary, Pauline Weetman (as chair of the Financial Audit and Assurance Committee) and Fiona Kordiak (as Audit Scotland's Ethics Partner), it is proposed that responsibility for approving requests for non-audit services be delegated to the Associate Director, Audit Quality and Appointments.
18. A draft policy statement to this effect is proposed in the Appendix. The policy statement makes clear that AQA will make any decisions having regard to the FRC Ethical Standard and may consult Audit Scotland's Ethics Partner.
19. AQA reports to the Commission twice yearly on both requests for non-audit services and the value of such work undertaken.

Standards Officer

20. The Commission is subject to the Ethical Standards in Public Life framework.⁴ Part of this framework is the requirement to have a Standards Officer. The role of the Standards Officer is, in summary:
 - Promoting and maintaining high standards of conduct through advice, support and training to members on the Ethical Standards framework, including the Members' Code of Conduct
 - Maintaining an approach to registering of interests
 - Having an investigatory role if local resolution is attempted in respect of complaints or concerns made about a member's conduct, or if this fails, reporting any breach to the Commissioner for Ethical Standards in Public Life in Scotland
 - Acting as the principal liaison officer between the Commission, the Ethical Standards Commissioner and the Standards Commission in connection with any

⁴ The Ethical Standards in Public Life framework was established by the Ethical Standards in Public Life etc. (Scotland) Act 2000 to ensure that the highest standards of behaviour were maintained by local authority councillors and members of certain public bodies, including the Accounts Commission. The framework consists of a Code of Conduct, the Standards Commission for Scotland (to hold hearings into alleged breaches of the Codes), and what is currently known as the Commissioner for Ethical Standards in Public Life in Scotland (to receive and investigate complaints about non-compliance).

complaints against a member of the body in relation to the Ethical Standards Framework.⁵

21. At its meeting on 9 June 2016, the Commission agreed to designate the Secretary to the Commission as Standards Officer.
22. As noted in paragraph 8, at its meeting on 13 November 2014, the Commission agreed as a matter of policy to adopt the principles of the FRC standards, particularly the FRC Ethical Standard, to its own work. In doing so, the Commission agreed to modify its Member Code of Conduct to reflect requirements of the FRC Ethical Standard. Any modification of the member code requires approval by Scottish Ministers. The Commission's proposal remains under discussion with the Local Government Minister and with the Commissioner for Ethical Standards, as there are matters to be resolved about enforcement of any modified Code.
23. Meantime, however, given the Commission's desire to at least act within the spirit of the FRC Ethical Standard which is to be reflected in its Member Code of Conduct, there will likely be substantial liaison between the Secretary in his role as Standards Officer and the Associate Director, AQA in her role as a source of advice to the Commission on the FRC Ethical Standard.

Conclusion

24. The Commission is asked to:
 - a) Note the role of Audit Scotland's Ethics Partner
 - b) Note ongoing discussions in relation to the source of ethical advice to the Commission
 - c) Approve the attached policy statement on non-audit services by appointed auditors, thus in effect agreeing to delegate to the Associate Director, AQA to consider for approval requests for non-audit services on the Commission's behalf, liaising with the Commission Secretary as appropriate and reporting to the Commission twice a year on how such requests have been dealt with
 - d) Note the role of the Commission Standards Officer and the link with the FRC Ethical Standard, and thus the likely collaboration with the Associate Director in this regard.

Paul Reilly
Secretary to the Commission
6 September 2018

⁵ Standards Commission, 2015, Advice note on the role of a standards officer

APPENDIX: Proposed policy statement on non-audit services by appointed auditors

This policy statement applies to all audits where the auditor is appointed by the Auditor General or the Accounts Commission.

The objective of the policy is to avoid situations where non-audit services carried out by an Appointed Auditor creates an actual, potential or perceived conflict with the role of external auditor.

Basic Policy

During the currency of an appointment an auditor, or any firm with which an auditor has a direct association, shall not carry out additional work, consultancy or otherwise, for public sector bodies which they audit without the prior approval of Audit Quality and Appointments.

Requests should be made in writing to Audit Quality and Appointments. Requests should be accompanied by express assurance from the auditor that the Engagement Partner has reviewed the proposed work and that they do not consider that it represents a conflict with the firm's role as external auditor, in particular a self review threat.

Audit Quality and Appointments will make its decision on any request having regard to the FRC Ethical Standard currently in force and can consult Audit Scotland's Ethics Partner. For example, in accordance with paragraph 5.53 of the Ethical Standard (June 2016), approval would not be given for external auditors to seek appointment as internal auditors.

Non Profit Distributing (NPD) projects

Conditions

Applications will be considered for audit firms to advise companies or consortia bidding for, or being awarded, NPD contracts with audited bodies on the following conditions:

- the auditor or firm must not act as principal but only as an advisor
- the audited body must be aware of and be content with the audit firm's role
- the audited body should generally be independently advised
- the auditor undertakes, through the appointment letter or otherwise, not to use the same staff on both the audit and advisory assignments and not to pass any information gained from the audit to the advisory team without the express written permission of the audited body.

Independent Review

The Auditor General and the Accounts Commission reserve the right to appoint an independent auditor to review any project where an auditor has acted as an advisor in any capacity, should problems be encountered with the project.

MEETING: 13 SEPTEMBER 2018

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

PROFESSIONALISM SCEPTICISM IN AUDIT

Purpose

1. This report introduces a presentation by the Director of Audit Services on professional scepticism in audit.

Background

2. As part of its assurance around the quality of the audit work that it oversees, the Commission has held a longstanding interest in how professional scepticism is applied by auditors in their work.
3. Most recently, at its meeting on 26 April, the Financial Audit and Assurance Committee agreed that the Director of Audit Services liaise with the Secretary to arrange a brief session at its next meeting on applying professional scepticism in audit work.
4. The Commission's interest applies to a range of different strands of integrated audit work incorporating annual and financial audit, best value auditing and performance audit, thus across the responsibilities of its two committees. I have therefore agreed with the Director that a presentation be undertaken at a full meeting of the Commission.
5. The Director and her team will make this presentation at today's meeting.

Conclusion

6. The Commission is asked to consider the presentation from the Director of Audit Services on professional scepticism.

Paul Reilly
Secretary to the Commission
4 September 2018