

ACCOUNTS COMMISSION

MEETING 13 MAY 2010

MINUTES OF PREVIOUS MEETING

Minutes of the meeting of the Accounts Commission
held in the offices of Audit Scotland at
18 George Street, Edinburgh, on
Thursday, 15 April 2010, at 10.00am

PRESENT: John Baillie (Chair)
Douglas Sinclair (Deputy Chair)
Michael Ash
Adrienne Kelbie
James King
Bill McQueen
Christine May
Linda Pollock
Colin Peebles
Iain Robertson
Graham Sharp

IN ATTENDANCE: Caroline Gardner, Controller of Audit and Deputy Auditor General
Fraser McKinlay, Director of Best Value and Scrutiny Improvement
Mark Brough, Secretary & Business Manager
Barbara Hurst, Director of Performance Audit [Item 7]
Antony Clark, Assistant Director, Best Value and Scrutiny
Improvement [Items 9 and 11]
Paul Reilly, Project Manager, Best Value Improvement Team [Item 9]
Cathie Wylie, Henderson Loggie, Appointed Auditor [Item 9]
Peter Worsdale, Best Value Performance Auditor [Item 10]
Fiona Mitchell-Knight, Assistant Director of Audit Services, Local
Government [Item 11]
Fiona Selkirk, Best Value Performance Auditor [Item 11]
Martin Walker, Portfolio Manager, Best Value [Item 11]
Dave Beveridge, Senior Manager, Audit Strategy and NFI [Items 12
and 13]
Russell Frith, Director of Audit Strategy [Items 12 and 13]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 18 March 2010
4.	Minutes of meeting of the Financial Audit and Assurance Committee of 11 March 2010
5.	Chair's introduction
6.	Update report by the Controller of Audit
7.	Performance Audit Studies Programme
8.	Local government scrutiny co-ordination update
9.	Angus Council – Best Value 2 Pathfinder Audit

10. Scottish Borders Council - Best Value 2 Pathfinder Audit
11. The Highland Council – Best Value 2 Pathfinder Audit
12. Audit Scotland quality framework
13. Draft report on the National Fraud Initiative in Scotland 2008/09
14. Tayside Police and Joint Police Board Best Value Audit and Inspection – Action Plan
15. Any other business

1. Apologies for absence

Apologies were received from Colin Duncan.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 18 March 2010

The minutes of the meeting of 18 March 2010 were submitted and approved.

4. Minutes of the meeting of the Financial Audit and Assurance Committee of 11 March 2010

The Commission noted the minutes of the meeting of the Financial Audit and Assurance Committee of 11 March 2010. The Commission noted that the Committee had requested that proposals be brought forward for revision of its remit.

5. Chair's introduction

The Chair reported on—

- the publication of reports on which findings were agreed at the last meeting (Dundee City Council, East Ayrshire Council and Northern Joint Police Board) on 30 March, 1 April and 7 April respectively;
- his attendance at the Scottish Policing Board on 12 April to discuss issues raised in police Best Value reports to date;
- an invitation for the Commission to give evidence to the Parliament's Local Government and Communities Committee on 5 May in a session on the *Overview of local government in Scotland 2009*;
- a submission made by Audit Scotland jointly on behalf of the Commission and the Auditor General to the Scottish Parliament Finance Committee's inquiry on public services efficiency;
- a similar joint response to the Independent Budget Review established by the Scottish Government;
- a request from the Parliament's Public Audit Committee for a note on the Commission's role and functions; and
- media comment mentioning the Commission in connection with some high profile issues.

[*Actions—*

Note on the Commission's role and functions to be prepared for the Public Audit Committee – Secretary and Business Manager;

Submission to the Independent Budget Review to be circulated to members for information - Secretary and Business Manager]

6. Update report by the Controller of Audit

The Commission considered and noted a report by the Controller of Audit providing an update on—

- issues arising from local government audits;
- relevant Scottish Parliament committee activity; and
- Audit Commission reports.

Following discussion, the Commission agreed that—

- further consideration should be given to the means of supplementing for the Commission the information on current issues which is provided at present to the Financial Audit and Assurance Committee; and
- it would be helpful to consider again the Commission's previous work on *Following the Public Pound*.

[Actions—

Methods of providing information on current issues to be considered – Secretary and Business Manager;

Report on Following the Public Pound to be circulated to members for information - Secretary and Business Manager]

7. Performance Audit Studies Programme

The Commission considered a report by the Director of Performance Audit on arrangements for reviewing the performance audit studies programme.

Following discussion, the Commission agreed—

- the terms of strategic themes which would form the basis for developing performance audit proposals; and
- that the programme would be developed further by means of an internal workshop with the Auditor General on 22 April; a workshop with external stakeholders on 13 May; and consideration and agreement of final proposals for a joint programme by the Commission and the Auditor General at a subsequent meeting.

8. Local government scrutiny co-ordination update report

The Commission considered a report by the Controller of Audit on developments in respect of the scrutiny co-ordination work which is being carried out under the Accounts Commission's gate-keeping role.

During discussion the Commission noted—

- that, following a meeting of the strategic group on 17 March, a revised draft workplan would be prepared for the next meeting of the group on 12 May;
- a proposal by the Scrutiny Improvement Programme Board at its meeting on 29 March for a scrutiny improvement seminar to be held in June;

- the key milestones and timetable for the national risk assessment round table discussion, the joint resourcing and scheduling review of the draft national scrutiny schedule, and the publication of the national schedule and 32 Assurance and Improvement Plans.

The Commission agreed that it would consider progress in detail at its meeting on 17 June, and that publication of the national schedule and Assurance and Improvement Plans should be at the end of June.

9. Angus Council – Best Value 2 Pathfinder Audit

The Commission considered a report by the Controller of Audit on the Best Value 2 pathfinder audit of Angus Council.

Following discussion the Commission agreed to make findings as contained in Appendix 1 to this minute.

The Commission thanked the appointed auditor and other staff for their work and for assisting the Commission's consideration of the report.

10. Scottish Borders Council – Best Value 2 Pathfinder Audit

The Commission considered a report by the Controller of Audit on the Best Value 2 pathfinder audit of Scottish Borders Council.

Following discussion the Commission agreed to make findings as contained in Appendix 2 to this minute.

The Commission thanked the audit team for their work and for assisting the Commission's consideration of the report.

11. The Highland Council - Best Value 2 Pathfinder Audits

The Commission considered a report by the Controller of Audit on the Best Value 2 pathfinder audit of The Highland Council.

Following discussion the Commission agreed to make findings as contained in Appendix 3 to this minute.

The Commission thanked the audit team for their work and for assisting the Commission's consideration of the report.

12. Audit Scotland Corporate Quality Framework

The Commission considered a report by the Director of Audit Strategy on the new Corporate Quality Framework and proposals for revised reporting arrangements on quality.

The Commission noted that issues of audit quality are considered by the Audit Scotland Board and its Audit Committee, and are also of interest to the Commission and the Auditor General in their roles as appointers of auditors. The Commission's committees also have an interest. The Commission also noted the arrangements for including external review of audit quality

Following discussion, the Commission—

- noted the Audit Scotland Corporate Quality Framework;
- agreed that the annual quality report would be considered by the Commission's committees and then the Commission itself, as appropriate; and
- that any particular exceptional issues relating to audit quality could be reported to the Chair of the Commission without waiting for the annual report cycle.

13. National Fraud Initiative (NFI) – 2008/09 Exercise

The Commission considered a report by the Director of Audit Strategy on the 2008/09 National Fraud Initiative, carried out by Audit Scotland in partnership with the Audit Commission.

During discussion, the Commission noted that the final outcomes identified by this exercise had been revised upwards to £21.1 million, and that this third exercise had been the most successful to date.

The Commission agreed to support a proposal that the report should name councils in which auditors considered the arrangements for NFI to be below expectations.

14. Tayside Police and Joint Police Board Best Value Audit and Inspection – Action Plan

The Commission noted an action plan provided by Tayside Joint Police Board following the Best Value audit and inspection of Tayside Police and Joint Police Board.

15. Any other business

No other business was intimated.

The Chair expressed the Commission's congratulations and good wishes to Audit Scotland and its staff on achieving recognition as number 52 on the *Sunday Times* list of 75 Best Places to Work in the Public Sector in the UK.

The next meeting of the Commission will be on Thursday 13 May at Audit Scotland's offices at 18 George Street.

Appendix 1

Accounts Commission findings

Angus Council – Best Value 2 pathfinder audit

The Accounts Commission accepts this report from the Controller of Audit on Angus Council's performance of its statutory duties on best value and community planning. The Commission accepts the Controller of Audit's judgements that, in respect of these duties, the Council needs to improve more quickly and that its prospects for future improvement are fair.

The Commission gratefully acknowledges the co-operation provided to the audit team by the elected members, chief executive and other officers of the Council and its community planning partners, in particular for their constructive approach to being a Pathfinder Best Value 2 area. The Commission also gratefully acknowledges that this report arises from work conducted in close co-operation with colleagues from other local government inspectorates.

The Council's services are generally of a good quality and are well regarded by the local community. The Council has stated a clear ambition for its area and is making progress with its partners towards local strategic outcomes.

We welcome the Council's commitment to improvement. However, there is a gap between the Council's improvement ambitions and its capacity to achieve them. Weaknesses in corporate processes mean that it is not able to demonstrate consistent and continuous improvement in its services. In general, progress against many of the recommendations made to the Council in the 2004 Best Value audit has been disappointing. There are welcome signs that the pace is now picking up, and this now needs to progress as quickly as possible.

The Council does not have a coherent corporate approach to identifying and prioritising improvement actions based on comprehensive performance data. This inhibits its ability to make clear decisions on service improvement and demonstrate how and where it is improving. It needs to deliver on its commitment to develop systems to give good quality service performance information, so that it can move from incremental individual service-based improvements to demonstrating and managing consistent all-round improvement.

We welcome evidence of consultation, but more work needs to be done by the Council on community engagement. There are weaknesses in the available information on service performance and citizen and customer satisfaction. These mean that elected members lack the necessary performance management data and robust options appraisal which would allow them to ensure that the Council delivers value for money for local citizens. It is essential that the Council properly develops this corporate capacity if it is to be able to sustain good services under the challenge of increasing budget pressures.

The requirements of effective scrutiny do not appear to be sufficiently well understood. This limits the Council's ability to focus leadership on delivering key priorities. The lack of progress since 2004 on establishing independent scrutiny of the authority's performance is particularly disappointing. The newly-formed Scrutiny and Audit Subcommittee is chaired by the leader of the Council, which cannot be regarded as good practice.

Elected members also need to develop their ability to work together in a constructive way to provide strong strategic leadership, and to challenge and hold officers to account. The Council's political leadership and senior management need to work together to ensure that the information systems, processes and governance structures are in place to ensure robust and transparent challenge of officers by members.

The issues identified in this report will inform the Assurance and Improvement Plan for scrutiny of Angus Council over the next three years. Local audit and inspection teams will continue to monitor progress.

Appendix 2

Accounts Commission findings

Scottish Borders Council – Best Value 2 pathfinder audit

The Accounts Commission accepts this report from the Controller of Audit on Scottish Borders Council's performance of its statutory duties on best value and community planning. The Commission accepts the Controller of Audit's judgements that, in respect of these duties, the Council is improving well and that it is well placed to deliver future improvement.

The Commission gratefully acknowledges the co-operation provided to the audit team by the leader, elected members, chief executive and other officers of the Council and its community planning partners, in particular for their constructive approach to being a Pathfinder Best Value 2 area. The Commission also gratefully acknowledges that this report arises from work conducted in close co-operation with colleagues from other local government inspectorates.

The Council benefits from strong political and management leadership, and has effective governance. The Council delivers services which are generally of good quality, have improved in recent years and are well-regarded by the local community. The Commission particularly welcomes evidence of good and improving service delivery within social work and education services.

The Council works well with its partners and we welcome evidence of effective collaboration on services such as health improvement, jointly-provided social care, community safety and child protection. This effective partnership working is achieving good outcomes for the local community. We welcome particular notable examples of partnership working such as the co-location of services in Peebles and the equalities and diversity officer jointly funded with NHS Borders. The Council is working more closely on shared services with other authorities in the east of Scotland, but this is still at the planning stages and has not yet had a significant effect on service delivery.

The Council has a good awareness of its own capacity and need for improvement, and has set out a clear strategic direction. It has a coherent business transformation programme, although progress against it has been slower than anticipated. We also note that progress has been slow on improvement on some important areas highlighted in the 2007 Best Value audit of the Council, such as regulatory and technical services, roads and asset management. The Council needs to ensure that it has the capacity to deliver its programme.

The Commission particularly welcomes the Council's simplified staff grading system, which will potentially increase opportunities for more flexible working and development. Workforce planning and staff appraisal do, however, need to be further developed and applied across the organisation.

We would urge the Council to ensure that it develops fully the mechanisms for testing and scrutinising value for money across its services, and its capacity to present robust options appraisal. It has set a very challenging efficiency savings target, and its processes for managing performance need to become firmly established to support the delivery of this target.

The issues identified in this report will inform the Assurance and Improvement Plan for scrutiny of Scottish Borders Council over the next three years. Local audit and inspection teams will continue to monitor progress.

Appendix 3

Accounts Commission findings

The Highland Council – Best Value 2 pathfinder audit

The Accounts Commission accepts this report from the Controller of Audit on The Highland Council's performance of its statutory duties on best value and community planning. The Commission accepts the Controller of Audit's judgements that, in respect of these duties, the Council is improving well and that it is well placed to deliver future improvement.

The Commission gratefully acknowledges the co-operation provided to the audit team by the elected members, chief executive and other officers of the Council and its community planning partners, in particular for their constructive approach to being a Pathfinder Best Value 2 area. The Commission also gratefully acknowledges that this report arises from work conducted in close co-operation with colleagues from other local government inspectorates.

The Council benefits from strong political and managerial leadership. We particularly welcome evidence that elected members now provide a clear and consistent community leadership and strategic direction, combining concern for local issues with a shared ambition around the significant issues for the community as a whole. The Commission welcomes the fact that changes to committee structures and managerial arrangements have allowed this leadership to improve over recent years through a period of electoral change.

The Council is strongly focused on issues which matter to local people, is generally delivering good quality services, and is making progress with its partners in delivering improved outcomes which meet the needs of its diverse communities. Overall there are high and improving levels of customer and citizen satisfaction with its services. Some improvement is required in areas such as adult social work and management of housing rent arrears.

The Council works well with its partners at a strategic level. The Commission welcomes the evidence of effective partnerships and the active engagement and community leadership exercised by elected members and senior managers in a variety of structures.

The Commission welcomes evidence that the Council has made tangible progress on areas of improvement identified in the first Best Value audit in 2006. A culture of continuous improvement has developed and deepened, and the Council now has a clear awareness of its improvement needs based on feedback from communities.

We welcome the evidence that the Council is aware of, and working on, the challenges for its future financial planning. We encourage the Council now to improve its performance management capacity and ensure that it has effective mechanisms to test value for money and provide robust options appraisal. This is essential to allow the most effective decision-making by elected members when budgets are under increasing pressure. We also recommend that the Council should seek to improve its communication with the public specifically on how it demonstrates value for money in its activities.

We urge the Council to make progress as a matter of urgency on its review of pay, terms and conditions and to resolve continuing legacy issues from former district and regional council structures. These have been outstanding for some years and present a significant financial and staff morale risk. We also recommend that the Council continues to develop its staff management processes – for example, by ensuring that absence management and recruitment processes are integrated in the HR system.

The issues identified in this report will inform the Assurance and Improvement Plan for scrutiny of The Highland Council over the next three years. Local audit and inspection teams will continue to monitor progress. The Commission notes the action taken by the Council on issues relating to Caithness Heat and Power, and expects to consider a report on this separately.