

ACCOUNTS COMMISSION

MEETING 15 JULY 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, 17 June 2010, at 10.00am

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

IN ATTENDANCE: Fraser McKinlay, Director of Best Value and Scrutiny Improvement
Lynn Bradley, Director of Audit Services (Local Government)
Mark Brough, Secretary & Business Manager
Fiona Mitchell-Knight, Assistant Director, Audit Services (Local Government) [Item 7]
Gordon Smail, Portfolio Manager, Best Value and Scrutiny Improvement [Item 7]
Antony Clark, Assistant Director, Best Value and Scrutiny Improvement [Items 8, 10 and 11]
Lesley McGiffen, Portfolio Manager, Best Value and Scrutiny Improvement [Items 8 and 9]
Asif Haseeb, Senior Audit Manager, Audit Services [Item 8]
Paul Reilly, Project Manager, Best Value and Scrutiny Improvement [Item 8]
Ronnie Nicol, Assistant Director, Performance Audit Group [Item 9]
Cathy McGregor, Project Manager, Performance Audit Group [Item 9]
Mark Diffley and Sara Davidson, Ipsos-MORI Scotland [Item 10a]
Carol Calder, Portfolio Manager, Best Value and Scrutiny Improvement [Item 11]
Ian Metcalfe, Project Officer, Best Value and Scrutiny Improvement [Item 11]
Russell Frith, Director of Audit Strategy [Items 12-14]
John Gilchrist, Manager, Audit Strategy [Item 12]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 13 May 2010
4.	Minutes of meeting of the Financial Audit and Assurance Committee of 27 May 2010
5.	Chair's introduction
6.	Update report by the Controller of Audit
7.	The Highland Council, Caithness Heat and Power project – Report by the Controller of Audit
8.	South Ayrshire Council - Best Value follow-up report
9.	Getting it right for children in residential care – draft performance audit report
10.	Evaluation of the Best Value 2 pathfinder audits <ul style="list-style-type: none"> a) Ipsos/MORI Scotland evaluation report b) Developing the Best Value 2 audit
11.	Local government scrutiny co-ordination – Draft National Scrutiny Plan
12.	Annual Report on audit quality
13.	Audit appointments – procurement strategy
14.	Revised Code of Audit Practice
15.	Audit Scotland Financial and Performance Information - Quarter 4, January to March 2010
16.	Any other business

1. Apologies for absence

Apologies were received from Linda Pollock.

2. Declarations of interest

Colin Duncan declared an interest in relation to Item 8 in respect of having professional contacts with a number of elected members of South Ayrshire Council and left the meeting during consideration of that Item.

3. Minutes of meeting of 13 May 2010

The minutes of the meeting of 13 May 2010 were submitted and approved.

4. Minutes of meeting of the Financial Audit and Assurance Committee of 27 May 2010

The Commission noted the minutes of the meeting of the Financial Audit and Assurance Committee of 27 May 2010.

The Commission noted the general update on current issues in councils presented to the Committee.

The Commission noted the decision at Item 10 to recommend that it agrees to modify the remit of the Committee, and agreed that the remit should be modified as proposed.

5. Chair's introduction

The Chair reported on—

- Arrangements for the Commission's hearing on Shetland Islands Council on 28 and 29 June; and
- Attendance by Colin Peebles at the ACPOS conference on behalf of the Commission.

6. Update report by the Controller of Audit

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

- Local government audit issues; and
- Relevant Scottish Parliament committee activity.

Following discussion, the Commission noted that-

- A report on further audit work by the appointed auditor (KPMG) at Strathclyde Partnership for Transport is expected to be submitted to a future meeting;
- A report by the Auditor General on The Gathering 2009 Ltd would be published on 23 June and the involvement of audited bodies under the Commission's jurisdiction as creditors of the company would be monitored by local auditors; and
- The UK Government had announced that it would abolish the Comprehensive Area Assessment, which brought together the work of various local service inspectorates in England.

[Action – Report on follow-up audit work at Strathclyde Partnership for Transport to be submitted to a future meeting – Controller of Audit]

7. The Highland Council, Caithness Heat and Power project – Report by the Controller of Audit

The Commission considered a report by the Controller of Audit on The Highland Council in respect of the Caithness Heat and Power project.

In light of the issues raised in the report, the Commission agreed to direct the Controller of Audit to carry out further investigations.

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

[Action –Controller of Audit to carry out further investigations and report to the Commission at a future meeting]

8. South Ayrshire Council - Best Value follow-up report

The Commission considered a report by the Controller of Audit on a Best Value follow-up audit of South Ayrshire Council.

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

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

9. Getting it right for children in residential care – draft performance audit report

The Commission considered a report by the Director of Performance Audit inviting it to consider and approve the draft performance audit report 'Getting it right for children in residential care', prepared on behalf of the Commission and the Auditor General.

During discussion, the Commission noted a number of ways in which key issues in the report might be highlighted to maximise the emphasis on the outcomes for children and the most effective use of resources. The Commission congratulated the audit team and approved the draft report. The Commission also noted arrangements for publication of the report and agreed that the key messages document, previously considered by the Performance Audit Committee, should be revised to reflect the content of the final report.

The Commission agreed to remit to its sponsors of the performance audit to consider any final amendments, and to consider organising a seminar for key stakeholders in order to promote the recommendations of the report.

[Action – sponsors of the performance audit to consider final amendments and options for promoting the report's recommendations.]

10. Evaluation of the Best Value 2 pathfinder audits

a) Ipsos-MORI Scotland evaluation report

The Commission considered a research report by Ipsos-MORI Scotland reviewing stakeholders' experience of the Best Value 2 pathfinder audits. During discussion, the Commission considered a number of the issues highlighted by the report and its recommendations. The Commission thanked Ipsos-MORI Scotland for its work and noted that it would consider during subsequent discussions how the report would be used in the future development of Best Value 2.

b) Developing the Best Value 2 audit

The Commission considered a report by the Director of Best Value and Scrutiny Improvement on the development of the Best Value 2 approach.

Following discussion, the Commission—

- Agreed that peer involvement in the audits should continue, and that the role and selection of peers should remain flexible but be explained as fully as possible to audited bodies;
- Agreed in principle that summary-style reports should be produced in addition to full reports;
- Agreed that reports should seek to simplify language and use a consistent layout wherever possible;
- Agreed that reports should include information to allow understanding of service performance, so far as possible consistent with the audits being proportionate and risk-based;

- Considered the wording and definition of the two judgements used in the pathfinder audits, and the scale against which judgements were made, and agreed—
 - That the wording of the judgements should seek to give public assurance on an authority's improvement over the whole period since previous best value audits, and on its capacity to improve further against the characteristics of a best value authority; and
 - That consideration should be given to how the wording, definition and scale of the judgements might be aligned with those used by other local government inspectorates.

The Commission agreed to consider at its next meeting further proposals for the development of Best Value 2 based on this discussion.

[Action – further proposals for the development of Best Value 2 to be submitted to the next meeting – Director of Best Value and Scrutiny Improvement.]

11. Local Government scrutiny co-ordination update – Draft National Scrutiny Plan

The Commission considered a draft National Scrutiny Plan and commentary which had been prepared through the scrutiny co-ordination work which is being carried out under the Accounts Commission's gate-keeping role.

During discussion the Commission sought clarification on a number of issues relating to the presentation of scrutiny activity in the Plan and commentary. The Commission noted that the Plan and the local Assurance and Improvement Plans would be published on 1 July and that, to accompany the publication, the Chair would write to the Scottish Government to explain the Commission's discharge of the gate-keeping role.

The Commission agreed that, for clarity, the Plan should be described as the National Scrutiny Plan for Local Government. The Commission also agreed to remit to the Chair and Deputy Chair to consider further arrangements for the presentation and publication of the Plan and the local Assurance and Improvement Plans.

12. Annual Report on audit quality

The Commission considered and noted a report by the Director of Audit Strategy and the 2009/10 audit quality annual report, which summarises the arrangements for maintaining a high quality of work by Audit Scotland and the appointed firms for the services provided to the Accounts Commission and the Auditor General.

13. Audit appointments – procurement strategy

The Commission considered a report by the Director of Audit Strategy on key aspects of the draft strategy for making new audit appointments, jointly with the Auditor General, following the completion of the 2010/11 audits.

Following discussion, the Commission approved the approach outlined in the report, subject to clarification of whether the agreed method of determining annual revisions in the contract price paid to appointed firms (a link to the annual Audit Scotland pay scale uplift) could result in downward as well as upward movement.

[Action – Director of Audit Strategy to clarify the effect of linking contracts to the Audit Scotland pay scale uplift.]

14. Revised Code of Audit Practice

The Commission considered and noted a report by the Director of Audit Strategy on a draft revised Code of Audit Practice, which is being prepared for consultation prior to being included in the tender documents for new audit appointments. The Commission approved the draft, subject to a minor draft change being made.

15. Audit Scotland Financial and Performance Information - Quarter 4, January to March 2010

The Commission considered and noted a report by the Director of Corporate Services on financial and performance information for Audit Scotland for the three months to 31 March 2010.

16. Any other business

No other business was intimated.

The next meeting of the Commission will be on Thursday 15 July at Audit Scotland's offices at 18 George Street.

South Ayrshire Council – Best Value Follow-up Report

When it considered the original Best Value audit carried out on South Ayrshire Council in March 2009, the Accounts Commission acknowledged that some services were performing well. We expressed concern, however, that the Council had made limited progress towards delivering best value. We found that it faced severe financial pressures which posed significant risks and which made it more challenging for the Council to make the improvements needed.

In making its findings, the Commission decided to require a further report from the Controller of Audit on the position of the Council as at March 2010, and accepts this follow-up report as fulfilling that requirement. We gratefully acknowledge the co-operation and assistance given to the audit process by the Council.

The Commission is pleased that the Council has responded positively to our findings in 2009, and very much welcomes the good progress that the Council has made in addressing many of the areas of concern which we identified and the substantial improvement agenda it faced. The Commission particularly welcomes evidence that many of the elements of best value are now in place; that a culture of continuous improvement is developing throughout the Council; and that financial stability has improved and a medium-term financial strategy been developed.

We are encouraged that the Council has taken a comprehensive approach to improvement, and that it has shown an openness and commitment to seeking and making use of external support and challenge.

We acknowledge that, having begun to develop a culture of continuous improvement, the Council recognises that it must now demonstrate evidence of improved performance.

In recognising this progress, the Commission notes that many of the activities and developments are still at an early stage and there is much still to be done. We welcome the Council's recognition of this and urge it to continue the process of change and improvement. Along with other councils, it faces significant financial pressures and likely funding gaps which require radical change across the public sector. It must continue to ensure that it has the capacity for strategic improvement, and keep this under review.

We recommend that it moves quickly to ensure that all elements of an effective performance management system are put in place to provide improved information to support effective decision-making and scrutiny of performance. It must also develop its strategic approach to reviewing and improving its services and its capacity to present robust options appraisal.

The Council is not yet maximising the opportunities for partnership working with neighbouring councils and other public sector bodies, and should increase its focus on this in order to improve outcomes for its citizens. We recommend that it should also pay particular attention to developing its processes for community engagement.

On behalf of the Commission, Audit Scotland also continues to work closely with other scrutiny bodies to deliver a shared risk assessment of South Ayrshire Council. An Assurance and Improvement Plan will be available shortly, and will provide a schedule for audit and inspection work to assess continued progress.