

ACCOUNTS COMMISSION

MEETING 4 NOVEMBER 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, 14 October 2010, at 10.30am

PRESENT: John Baillie (Chair)
Colin Duncan
James King
Bill McQueen
Christine May
Colin Peebles
Linda Pollock
Graham Sharp
Douglas Sinclair

IN ATTENDANCE: Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement
Mark Brough, Secretary & Business Manager
Angela Canning, Assistant Director Performance Audit Group
Ronnie Nicol, Assistant Director Performance Audit Group
Rebecca Seidel, Performance Auditor, Performance Audit Group [Item 6]
Gareth Dixon, Project Officer, Performance Audit Group [Item 6]
Russell Frith, Assistant Auditor General [Items 7 and 8]
Dave Beveridge, Senior Manager, Audit Strategy and NFI [Item 7]
Diane McGiffen, Chief Operating Officer [Item 8]
Miranda Alcock, Portfolio Manager (Justice), Performance Audit Group [Item 11]
Andra Laird, Project Manager, Performance Audit Group [Item 11]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 16 September 2010
4.	Chair's introduction
5.	Update report by the Controller of Audit
6.	Draft performance audit report on Energy Efficiency follow-up
7.	Code of Audit Practice and audit appointments strategy
8.	Audit Scotland budget for 2011/12 and charges for 2010/11 audits
9.	Conduct of Commission business
10.	Commission external engagement strategy
11.	Briefing on performance audit for the Auditor General on the Scottish Police Services Authority
12.	Any other business

1. Apologies for absence

Apologies were received from Michael Ash.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 16 September 2010

The minutes of the meeting of 16 September 2010 were submitted and approved.

4. Chair's introduction

The Chair reported—

- That Scottish Ministers had formally indicated their consent to the Commission's appointment of Fraser McKinlay as Controller of Audit for the period until 30 September 2011;
- That a response had been submitted, as agreed at the last meeting, to the Scottish Government's consultation on the duty of user focus under the Public Services Reform (Scotland) Act 2010;
- That a consultation had been issued by the Scottish Government on the duty of co-operation on scrutiny bodies under the Public Services Reform (Scotland) Act 2010. The Commission agreed, in view of the tight timetable for response, to authorise the Chair to prepare a response, and for that to be circulated to all members.

[Action – Chair to prepare a response to Scottish Government consultation on the duty of co-operation, and circulate to all members.]

5. Update report by the Controller of Audit

The Commission considered a report by the Controller of Audit providing an update on progress in the annual audit cycle for councils and other related bodies, and recent relevant parliamentary business.

The Commission approved a proposal that an initial performance audit on behalf of the Commission and the Auditor General on the Edinburgh trams project should be added to the performance audit programme for 2010/11. The Commission agreed that the draft report should be submitted to it for consideration in due course, with a view to being published by the end of 2010.

The Commission also noted—

- That further audit work is being conducted by the appointed auditors of South Lanarkshire Council in connection with various matters;
- The appointment of Andrew Laing as Her Majesty's Inspector of Constabulary for Scotland;
- That Huw Vaughan Thomas had officially taken up post as Auditor General for Wales on 1 October.

6. Draft performance audit report on Energy Efficiency follow-up

The Commission considered a report by the Director of Performance Audit inviting it to consider and approve the draft follow-up performance audit report on '*Improving energy efficiency*', prepared on behalf of the Commission and the Auditor General.

During discussion, the Commission noted that this is a follow-up report re-evaluating the performance of the public sector as a whole in improving its energy efficiency since the initial report in 2008, assessing how the Scottish Government and public bodies are implementing the recommendations of the previous report, and evaluating how prepared participating public bodies are for the CRC Energy Efficiency Scheme.

The Commission noted that a number of broader issues in relation to incorporating energy efficiency measures into capital procurement, and the costs and challenges of improving the energy efficiency of existing public buildings, could be considered as part of forthcoming performance audit work on asset management.

The Commission approved the draft report subject to a number of amendments being made to clarify and strengthen particular points, and noted that the draft report would now be subject to formal clearance.

[Action – Director of Performance Audit to finalise the report in light of the agreements above.]

7. Code of Audit Practice and audit appointments strategy

The Commission considered a report by the Assistant Auditor General on the consultation process on the revised Code of Audit Practice and on the audit appointments strategy for 2011/12 to 2015/16.

During discussion, the Commission noted that proposed changes to the Code had been considered by the Audit Scotland Board and that the Auditor General had briefed the Scottish Parliament's Public Audit Committee on the proposed changes. The Commission also noted that the provisional audit appointment portfolios would be subject to change during the procurement process.

Following discussion, the Commission—

- Approved the revised Code of Audit Practice, subject to minor wording clarifications being made;
- Approved the provisional audit allocations for local government; and
- Agreed that the Code and the provisional audit allocations should be included in tender documents to be issued shortly.

8. Audit Scotland Budget for 2011/12 and charges for 2010/11 audits

The Commission considered a report by the Assistant Auditor General on Audit Scotland's budget for 2011/12 and the proposed charges for the 2010/11 local government audits. The Chief Operating Officer of Audit Scotland introduced a discussion on the budget plans.

During discussion, the Commission noted that—

- Audit Scotland has submitted a budget proposal to the Scottish Commission for Public Audit that seeks to reduce overall costs by 16.7% in real terms over the four financial years beginning 2011/12;
- The budget includes reducing average charges to audited bodies by over 17% in real terms during the four audit years starting with 2010/11 audits;
- This reduction is as far and as fast as the cost of audit can be reduced at present, and can be achieved while maintaining the level of outputs as a result of—
 - previous investment in efficiency improvements such as electronic working papers;
 - reducing staff numbers by deleting vacant posts;
 - further improvements in rationalising processes and skills mix;
 - rationalisation of properties;
- The projections do not include any savings made from price competition in the forthcoming audit procurement exercise, and that any such savings will be used to meet the costs of reducing staff numbers;
- The proposed 2.5% reduction in the charges for 2010/11 local government audits compares to an estimate in autumn 2009 of an increase of 1.25% plus approximately 4% for the introduction of IFRS-based accounts;
- The proposed charges are for financial audits and are not directly affected by the 36% reduction in corporate scrutiny activity achieved through the work of the local government scrutiny co-ordination strategic group;
- Further discussion on how audit fees relate to the performance of audited bodies may be required in due course.

Following discussion, the Commission agreed that the Assistant Auditor General would consult COSLA and other local government stakeholders. The Commission approved the proposed charges for 2010/11 local government audits, subject to the need to consider any significant points arising from discussion with stakeholders.

[Action – Assistant Auditor General to discuss proposed fees with COSLA and other local government stakeholders.]

9. Conduct of Commission business

The Commission considered a report by the Secretary and Business Manager inviting it to consider how the conduct of its meetings could best support its objectives.

Following discussion, the Commission agreed—

- That, in order to enhance the openness and transparency of its proceedings, it would move to hold its meetings in public;
- To remit to the Chair to consider the necessary practical and procedural matters and to report back to the Commission by the end of 2010 with any necessary proposed amendments to Standing Orders, with a view to instituting measures from the start of 2011;
- That the Commission would review after a suitable period whether the measures might also be applied to meetings of its committees.

[Action – Chair to consider practical and procedural matters and report any necessary proposed amendments to Standing Orders by end 2010.]

10. Commission external engagement strategy

The Commission considered a report by the Secretary and Business Manager on current practices in its approach to engagement with its key stakeholders, and options for further development.

Following discussion, the Commission agreed—

- The objectives and framework for external engagement outlined in the paper;
- That there may be additional opportunities for engagement with the Parliament on the Commission's annual report;
- That, while most external engagement activity may be undertaken by the Chair and Deputy Chair, it is useful for all members to be involved as time commitments allow;
- That support should be provided to ensure that the approach to engagement is consistent;
- That a regular briefing should be provided to members, incorporating relevant media coverage, engagement activity, and conferences and events;
- That a programme should be developed of speakers to provide informal briefings on developments in local government;
- To remit to the Secretary and Business Manager to consider issues relating to the Commission's profile in the way its role and work are communicated.

[Action – Secretary and Business manager to plan consideration of issues relating to how the Commission communicates its role and work.]

11. Briefing on performance audit for the Auditor General on the Scottish Police Services Authority

The Commission received a briefing on the performance audit on the Scottish Police Services Authority, conducted on behalf of the Auditor General and due to be published at the end of October.

12. Any other business

The Chair noted that Adrienne Kelbie's term of appointment had come to an end and that she had been unable to seek reappointment as she had recently taken up a position with Hull City Council as Director of Business Support. The Chair expressed the Commission's thanks to Adrienne for her contribution to the work of the Commission and wished her well for the future.