

ACCOUNTS COMMISSION

MEETING 9 DECEMBER 2010

MINUTES OF PREVIOUS MEETING

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Minutes of the meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 4 November 2010, at 10am

PRESENT: John Baillie (Chair)  
Michael Ash  
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  
Fiona Kordiak, Director of Audit Services  
Antony Clark, Assistant Director, Best Value and Scrutiny Improvement  
Mark Brough, Secretary & Business Manager  
Stephen Reid, Director, KPMG [Item 7]  
Gordon Smail, Portfolio Manager, Best Value and Scrutiny Improvement [Item 7]  
Carol Calder, Portfolio Manager, Best Value and Scrutiny Improvement [Item 8]  
Mark Diffley and Sara Davidson, Ipsos-MORI Scotland [Item 8]  
Russell Frith, Assistant Auditor General [Item 9]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 14 October 2010
4.	Chair's introduction
5.	Update report by the Controller of Audit
6.	East Ayrshire Council Best Value 2 pathfinder audit – follow-up meeting with Council leadership
7.	Strathclyde Partnership for Transport – report by the Controller of Audit
8.	Local government scrutiny co-ordination
9.	Audit Scotland's 2010/11 local government audits – appointed auditor
10.	Statutory performance indicators – 2009-10 outturn data
11.	Any other business

1. Apologies for absence

There were no apologies.

2. Declarations of interest

Colin Duncan declared an interest in Item 6 in respect of having professional contacts with members and officers of East Ayrshire Council.

3. Minutes of meeting of 14 October 2010

The minutes of the meeting of 14 October 2010 were submitted and approved.

4. Chair's introduction

The Chair reported that—

- Scottish Ministers had confirmed his re-appointment for a further three-year term as Chair of the Commission, and that of Jim King for a further three-year term as a member.
- As agreed at the previous meeting, a response had been submitted to the Scottish Government's consultation on the duty of co-operation on scrutiny bodies under the Public Services Reform (Scotland) Act 2010.

5. Update report by the Controller of Audit

The Commission considered and noted a report by the Controller of Audit providing an update on significant recent activity in relation to the audit of local government.

During discussion, the Commission noted—

- That a briefing on councils' budget savings plans would be submitted to the Financial Audit and Assurance Committee on 18 November;
- That the Scottish Government had announced that HMIE and Learning and Teaching Scotland will merge with effect from 1 July 2011 to form a new executive agency to be called the Scottish Education Quality and Improvement Agency;
- Significant announcements in relation to local government in England as part of the UK Government's Comprehensive Spending Review published on 20 October.

6. East Ayrshire Council Best Value 2 pathfinder audit - follow-up meeting with Council leadership

The Commission considered and noted a report of a meeting between Commission members and representatives of the leadership of East Ayrshire Council on 5 October.

Following discussion the Commission agreed that the Chair should write to the Council with a copy of the report, highlighting the positive developments noted at the meeting.

*[Action – Chair to write to the Council with a copy of the report of the meeting.]*

7. Strathclyde Partnership for Transport – Report by the Controller of Audit

The Commission considered a report by the Controller of Audit on Strathclyde Partnership for Transport in respect of an investigation of expenses and other matters.

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

8. Local government scrutiny co-ordination

The Commission received a briefing from Ipsos-MORI Scotland on emerging findings from its review of the first round of shared risk assessments in Scottish local government.

The Commission noted that the main findings of the review relate to the need to ensure—

- A consistently high quality approach by Local Area Network leads;
- Transparency and consistency in communication with councils;
- Consistency in the definition of risk and the quality of local Assurance and Improvement Plans;
- Clarity and consistency on the use of the red-amber-green-gold categories in the risk assessment.

During discussion, the Commission considered a number of the issues highlighted by the briefing and noted the continued importance of being clear that the reduction in scrutiny to date relates to corporate level scrutiny, which is a small proportion of the scrutiny contact time experienced by councils. The Commission should continue to seek to ensure that councils are clear about how the quality of their own performance management arrangements will influence the level of resource they need to expend on preparing for scrutiny.

The Commission thanked Ipsos-MORI Scotland for its work and noted that a full research report would now be prepared for publication by the Commission.

The Commission then considered a report by the Secretary and Business Manager inviting it to consider issues arising from its experience of exercising its 'gate-keeping' role in corporate-level scrutiny of local government.

Following discussion, the Commission agreed that—

- Notes of meetings of the scrutiny co-ordination strategic group should be circulated to the Commission to allow members the opportunity to question the Commission's representatives on the group;
- It should continue to ensure improvement in the shared risk assessment process and existing scrutiny co-ordination activity;
- It would examine carefully its potential involvement in any future extension of scrutiny co-ordination activity and would continue consideration of this at its annual strategy seminar; and
- It should increase activity designed to encourage audited bodies to improve the quality of their own performance management systems and thereby reduce scrutiny.

*[Actions—*

- *Secretary and Business Manager to circulate notes of meetings of the scrutiny co-ordination strategic group to the Commission*
- *Chair to consider further activity to encourage audited bodies to improve the quality of their performance management systems]*

9. Audit Scotland's 2010/11 local government audits – Appointed auditor

The Commission considered a report by the Assistant Auditor General on appointments for 2010/11 local government audits and—

- Agreed to appoint Fiona Kordiak, Director of Audit Services, as the auditor for all of the 2010/11 local government audits conducted by Audit Scotland; and
- Noted that the 2010/11 audits conducted by Audit Scotland would include one additional audit for the Dams to Darnley Country Park Joint Committee, which is hosted by Glasgow City Council.

10. Statutory performance indicators - 2009/10 outturn data

The Commission considered a report by the Director of Best Value and Scrutiny Improvement on the outturn data for 2009/10 resulting from the Commission's 2008 statutory performance indicator direction.

During discussion, the Commission noted that the 2010 local government overview report would include an analysis of performance. The Commission also noted that, in considering the terms of its 2010 direction at its next meeting, it would be able to take account of progress made by councils in their own performance reporting systems and use its statutory power to ensure a framework of consistency and comparability.

The Commission agreed that Audit Scotland should continue to liaise on its behalf with the local government community on the development of performance indicators, and that reports on this development should be submitted at appropriate points to enable it to take account of this in the exercise of its power of direction. A note on progress to date should be submitted to the next meeting to inform consideration of the 2010 direction.

*[Action – reports on the development of performance indicators by the local government community to be submitted to the Commission in December and as appropriate thereafter – Director of Best Value and Scrutiny Improvement]*

11. Any other business

There was no other business.

## Appendix

### Accounts Commission Findings

#### Strathclyde Partnership for Transport

Following a review undertaken by the external auditors, the Controller of Audit has made a report to bring to the attention of the Commission and the public conclusions arising from an investigation of travel expenses and other matters at Strathclyde Partnership for Transport (“the authority”) in the period between 2007 and 2009.

The Commission accepts this report by the Controller of Audit.

The Commission finds serious deficiencies in the way the authority managed and controlled travel expenses. These gave rise to a number of instances giving cause for concern about the judgement of those involved. We are particularly concerned that these deficiencies appear to show a culture and behaviour by some of the most senior elected members and officers of the authority at the time. This behaviour fell well short of what is expected of those holding public office and overseeing public funds. The Commission notes that there have been changes to the membership and senior management of the authority since these concerns arose.

As a regional transport partnership, the authority is subject to many of the same obligations as all local authorities in Scotland. It must adhere to the principles of good governance, and ensure that its processes support rigorous scrutiny and accountability in the application of public funds. These processes must ensure that the costs, benefits and value of proposed travel are adequately examined so that the authority always acts in a way designed to ensure value for money. The authority must also ensure that it applies the appropriate regulations and practices on expenses in all respects.

The Commission notes and welcomes the actions taken by the authority once concerns about expenses and other matters came to light. On the basis of internal audit work in April 2009, the authority acted to strengthen value for money scrutiny and authorisation controls. It then also approved an action plan set out by the external auditors which included further recommendations for improving internal controls for expenses and travel. When implementing its action plan, the authority should consider the training and development needs of its members to ensure that they are clear about the authority’s revised policies and procedures and can demonstrate good governance, and effective scrutiny and challenge, in the discharge of their roles.

We also welcome the action by the authority that has led to recovery of some expenses. Given the Controller of Audit’s conclusion that the circumstances of the visit to the Greater Manchester Passenger Transport Executive constituted an unacceptable use of public money, the Commission endorses the recommendation that the authority should seek repayment of all expenses associated with this visit.

The Commission requests that the Controller of Audit provide it with a progress report in approximately six months, identifying progress in implementing the action plan and control actions. We also expect that the progress report by the Controller of Audit will explain the authority’s actions on further recovery of personal or excessive expenses.