

MEETING: 11 OCTOBER 2018

MINUTES OF PREVIOUS MEETING

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

PRESENT: Graham Sharp (Chair)
Andrew Burns
Alan Campbell
Andrew Cowie
Sandy Cumming
Sophie Flemig
Sheila Gunn
Ronnie Hinds
Tim McKay
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)
Elaine Boyd, Associate Director, Audit Quality and Appointments [Item 11]
Carol Calder, Senior Manager, PABV [Item 13]
Neil Cameron, Manager, Professional Support [Item 12]
Neil Cartlidge, Senior Manager, PABV [Item 15]
Gemma Diamond, Senior Manager, PABV [Item 14]
John Gilchrist, Manager, Audit Quality and Appointments [Item 11]
Graeme Greenhill, Senior Manager, PABV [Item 10]
Brian Howarth, Audit Director, Audit Services [Item 13]
Leigh Johnston, Senior Manager, PABV [Item 15]
Fiona Kordiak, Director, Audit Services [Items 12 and 14]
David Sim, Benefits Auditor, Audit Services [Item 14]
Rebecca Smallwood, Senior Auditor, PABV [Item 12]
Claire Sweeney, Audit Director, PABV [Items 13 and 15]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 9 August 2018
5.	Minutes of meeting of Financial Audit and Assurance Committee of 23 August
6.	Minutes of meeting of Performance Audit Committee of 23 August 2018
7.	Audit Scotland Board update
8.	Update report by the Secretary to the Accounts Commission
9.	Update report by the Controller of Audit
10.	Briefing: UK and Scottish response to the Grenfell Tower tragedy
11.	Ethical governance
12.	Professional scepticism in audit
13.	Local government financial overview 2017/18 and local government overview 2019: scope
14.	Housing benefit audit: draft annual report
15.	Performance audit: draft report: Health & social care integration
16.	Commission business matters

1. Apologies for absence

It was noted that apologies for absence had been received from Stephen Moore.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 8, as Vice-Chair of the Wheatley Group, in relation to references to housing matters.
- Ronnie Hinds, in item 15, as a non-executive director of the Scottish Government.

3. Decisions on taking business in private

It was agreed to take items 13 to 15 in private as the Commission is to consider them in private before publishing.

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 9 August 2018

The minutes of the meeting of 9 August 2018 were approved as a correct record, subject to noting advice from the Secretary that:

- In relation to item 7 (first bullet point), he had notified the Scottish Government and COSLA about the Commission's ongoing interest in the Local Governance Review.
- In relation to item 7 (penultimate bullet point), the Financial Audit and Assurance Committee had considered the consultation on the Scottish Local Government Pension Scheme structural review, the outcome of which was noted in the next item on the agenda.
- In relation to item 13 (first bullet point), in response to a query from Tim McKay, he would liaise with Mark Taylor, Audit Director, Audit Services Group and PABV, to agree the provision of the information requested by the Commission.

5. Minutes of meeting of Financial Audit and Assurance Committee of 23 August 2018

The minutes of the meeting of the Financial Audit and Assurance Committee of 23 August 2018 were approved as a correct record.

6. Minutes of meeting of Performance Audit Committee of 23 August

The minutes of the meeting of the Performance Audit Committee of 23 August 2018 were approved as a correct record, subject to including Sophie Flemig in the list of those members present.

7. Audit Scotland Board update

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

8. 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:

- Noted advice from the Secretary that the joint Commission and Auditor General performance audit on children and young people's mental health was published on 13 September 2018.
- In relation to paragraph 6, in response to a query from Pauline Weetman, agreed that access to individual press articles be provided to Commission members as a supplement to the members' weekly news summary.

Action: Secretary

- In relation to paragraph 24, noted advice from the Secretary, in response to a query from Ronnie Hinds, on the methodology involved in the disaggregation of Scottish Household Survey figures at council level.
- In relation to paragraph 37, in response to a query from Ronnie Hinds, agreed that the Improvement Service Economic Footprint Review be considered in scoping for the forthcoming performance audit on the role of local government in economic development.
- In relation to paragraph 60, in response to a query from Pauline Weetman, agreed to maintain an interest in matters around the ongoing legal case in relation to social care workers' terms and conditions.

Action: Director of PABV

Following discussion, the Commission agreed to note the report and 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.

Action: Secretary

9. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity.

During discussion, the Commission:

- In relation to an update from the Controller on liaison with Scotland Excel and a query from Geraldine Wooley in this regard, agreed that matters around commissioning of council services be considered in scoping for the forthcoming performance audit on the role of local government in economic development.

Action: Director of PABV

- Noted advice from the Controller that Ronnie Nicol, Audit Director, PABV, would be retiring in coming weeks. The Chair conveyed his and the Commission's best wishes to Ronnie and thanked him for his support of the Commission, particularly in relation to the development of the approach to auditing Best Value.

Following discussion, the Commission noted the update.

10. Briefing: UK and Scottish response to the Grenfell Tower tragedy

The Commission considered a report by the Director of PABV introducing his briefing paper on UK and Scottish responses to the Grenfell Tower tragedy.

Following discussion, the Commission:

- Noted advice from the Director, in response to a query from Sophie Flemig, that community empowerment matters associated with the response would be an important area of interest to him and the Commission.
- Noted advice from the Director, in response to a query from Andrew Cowie, that the Commission's own response to the matter should be considered as part of its programme refresh activity.

Action: Secretary

- Noted advice from the Director, in response to a query from Geraldine Wooley, that he would further consider matters associated with emergency response in relation to the Commission's joint scrutiny work with its scrutiny partners.

Action: Director of PABV

11. Ethical governance

The Commission considered a report by the Secretary providing an update on the Commission's governance of ethical matters.

Following discussion, the Commission:

- Noted the role of Audit Scotland's Ethics Partner.
- Noted ongoing discussions in relation to the source of ethical advice to the Commission.
- Approved a policy statement on non-audit services by appointed auditors, thus in effect agreeing to delegate to the Associate Director, Audit Quality and Appointments (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.

Action: Associate Director, AQA

- Agreed that this approval include an amendment to the proposed policy statement to read:

AQA will make its decision on any request having regard to the FRC Ethical Standard currently in force and the wider scope of public audit as outlined in the Code of Audit Practice. AQA may also consult with Audit Scotland's Ethics Partner.

Action: Associate Director, AQA

- Agreed further in this regard that the Assistant Director, AQA consider and report back on matters associated with appointed auditors advising companies or consortia bidding for or being awarded non-profit distributing project contracts.

Action: Associate Director, AQA

- Noted the role of the Commission Standards Officer and the link with the FRC Ethical Standard, and thus the likely collaboration with the Associate Director, AQA in this regard.

12. Professional scepticism in audit

The Commission considered a report by the Secretary introducing a presentation by the Director, Audit Services on professional scepticism in audit.

During discussion, the Commission:

- Agreed that members be provided with more information on 'judgement tendencies'.

Action: Director, Audit Services

- That it further consider how to apply to its own practice the position of the Auditing Practices Board of the Financial Reporting Council on the nature of professional scepticism and its role in auditing, as set out in its paper of 2012 in this regard.

Action: Secretary

Following discussion, the Chair thanked the Director for the presentation.

13. Local government financial overview 2017/18 and local government overview 2019: scope [in private]

The Commission considered a report by the Director of PABV proposing scopes for *local government financial overview 2017/18* and *local government overview 2019 – challenges and performance*.

During discussion, the Commission:

- Agreed that the Director give further consideration to the continuing use of councils' local financial returns to the Scottish Government as an evidence base for overview work.
- Agreed that in future approaches to its overview work, consideration be given by the Commission to the timing of publication in relation to councils' budget cycles.

Actions: Director of PABV

Following discussion, the Commission:

- Approved the scope of work for the local government financial overview 2017/18.
- Approved the scope of work for *local government overview 2019 – challenges and performance*.

Actions: Director of PABV

14. Housing benefit audit: draft annual report [in private]

The Commission considered a report by the Director, Audit Services advising of the outcome of housing benefit performance audit work for 2017/18 and proposing a draft report in this regard.

Following discussion, the Commission:

- Approved the draft report on housing benefit performance audit work for 2017/18, subject to the report team incorporating revisions in conjunction with the Chair.

- Agreed that the Chair write to council chief executives promoting the report.
- Noted that the report team will bring a paper to the Commission with proposals for the future of housing benefit audit work by the end of 2018.
- Agreed further in this regard that such new work should consider:
 - wider societal consequences of housing benefit policy and approach
 - reporting on customer and service user experience
 - good practice.

Actions: Director of Audit Services

15. Performance audit: draft report - Health & social care integration: update on progress [in private]

The Commission considered a report by the Director of PABV seeking approval of the draft performance audit report *Health & social care integration: update on progress*, and of proposed arrangements for publication and promotion of the report.

Following discussion, the Commission agreed:

- To approve the draft report, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Sophie Flemig and Pauline Weetman.
- To approve the publication and promotion arrangements for the report, including the targeting of different messages to different audited bodies and sectors as appropriate.

Actions: Director of PABV and Secretary

16. Commission business matters

The Chair advised that this meeting would be the last formal meeting of Sandy Cumming's appointment. The Chair thanked Sandy for his commitment and hard work in his appointment of over seven years, and wished him well for the future.

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