

**Financial Audit and Assurance
Committee minutes**

2016

MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF 25 FEBRUARY 2016

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 25 February 2016, at 10am.

PRESENT: Ronnie Hinds
 Tim McKay
 Douglas Sinclair
 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)
 Anne Cairns, Manager, Technical, Audit Strategy [Item 6]
 Angela Cullen, Assistant Director, PABV [Item 7]
 Gemma Diamond, Senior Manager, PABV [Item 12]
 Mark Ferris, Senior Audit Manager, Audit Services [Item 7]
 Toby Freer, Trainee Auditor, Audit Services [Items 9 and 10]
 Russell Frith, Assistant Auditor General [Items 6, 8, 9, 10 and 11]
 John Gilchrist, Manager, Procurement, Audit Strategy [Item 8]
 Fiona Kordiak, Director of Audit Services [Item 4]
 Dave McConnell, Assistant Director, Audit Services [Item 10]
 Gordon Smail, Senior Manager, Audit Strategy / PABV [Item 12]
 Owen Smith, Senior Manager, Audit Strategy [Items 9 and 10]
 Gillian Woolman, Assistant Director, Audit Services [Item 4]

1. Apologies for absence
2. Declarations of interest
3. Draft minutes of meeting of 26 November 2015
4. Current audit issues and risks in councils
5. Intelligence Report: Scottish Public Services Ombudsman
6. Review of housing benefit subsidy certification issues 2014/15
7. Financial capacity in councils
8. Audit quality survey – 2014/15 audits
9. Risks: outputs from the annual audit 2014/15
10. Annual audit – impact review
11. Accounting and auditing update
12. Policy Briefing: Public investment, environment and infrastructure
13. Any other business

Chair

It was agreed that, in the absence of Graham Sharp, Douglas Sinclair would act as Chair.

1. Apologies

It was noted that apologies for absence had been received from Graham Sharp and Sheila Gunn.

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 4, as a former Chief Executive of Fife Council.
- Douglas Sinclair, in item 4, as a former Chief Executive of Fife Council.
- Geraldine Woolley, in item 4, as a member of the Fife Valuation Assessment Committee and previous member of Madras School parent council.

3. Minutes of meeting of 26 November 2015

The minutes of the meeting of 26 November 2015 were noted and approved.

Arising therefrom:

- In relation to item 3, second bullet point (social care payments), advice from the Controller of Audit was noted that the matter would not feature prominently in the Local Government Overview report due to space constraints, but nevertheless, the matter had been raised by the Director of Audit Services in recent discussions with the Scottish Local Authority Directors of Finance group.
- In relation to item 4, first bullet point, fourth sub-bullet (Non-Domestic (Business) Rates Revaluation 2017, advice from the Secretary and Controller of Audit was noted that the matter would feature on a forthcoming briefing on business rates policy in Scotland.

4. Current audit issues and risks in councils

The Committee considered a report by the Controller of Audit outlining emerging issues, recurring themes and individual issues of interest in Scottish councils.

During discussion, the Committee agreed:

- To note advice from the Controller of Audit, in response to a query from Tim McKay, that a scope on the proposed audit on equal pay would be considered by the Performance Audit Committee at its April meeting.
- To note advice from the Controller of Audit, in response to a query from Geraldine Wooley, that he would bring more information to the Committee on issues around the decision by Stirling and Clackmannanshire councils to end shared education and social services..
- To note the error in Appendix 2 (i.e. the second entry for Fife Council should be deleted).

- To note advice from the Controller of Audit, in response to a query from Douglas Sinclair, that the issue of overspends in social work would feature in the ongoing performance audit in this regard.
- To note advice from the Controller of Audit, in response to a query from Douglas Sinclair, that he would provide the Committee with more information on the deal between Glasgow City Building and the Wheatley Group.
- To note advice from the Controller of Audit that he is currently investigating issues around the Dunfermline Flood Prevention Scheme, including the option of a statutory report to the Commission in this regard.

Actions: Controller of Audit

5. Intelligence Report: Scottish Public Services Ombudsman etc.

The Committee considered a report by the Secretary to the Accounts Commission providing an update of intelligence emerging from the work of the Scottish Public Sector Ombudsman (SPSO), Commissioner for Ethical Standards in Public Life in Scotland; Standards Commission for Scotland and Scottish Information Commissioner.

Following discussion, the Committee agreed to note the report.

6. Review of housing benefit subsidy certification issues 2014/15

The Committee considered a report by the Assistant Auditor General on the outcomes from a recent review of the auditors' Housing Benefit subsidy certification letters in 2014/15.

Following discussion, the Committee agreed:

- To note advice from the Assistant Auditor General that wider issues around the process would feature in his annual report to the Commission on the audit of benefits administration.
- To note the report.

7. Financial capacity in councils

The Committee considered a report by the Director of Performance Audit and Best Value inviting the Committee to consider the draft paper '*Financial capacity in local government – Key findings*'.

Following discussion, the Committee agreed:

- To endorse the draft report subject to the Director considering points raised in discussion in conjunction with the Chair and Deputy Chair.
- To recommend to the Commission that the report be published as a complement to the Local Government Overview report.

Actions: Controller of Audit

8. Audit quality survey – 2014/15 audits

The Committee considered a report by the Assistant Auditor General highlighting the main findings from biennial local government audit service quality survey for 2014/15.

Following discussion, the Committee:

- Noted advice from the Assistant Auditor General that he is discussing with the Secretary how to improve the reporting of quality and impact of audit to the Commission.
- Notwithstanding this, to note that this would be the last such survey under the current round of audit appointments.
- Noted the continuing high level of satisfaction with the quality of audits provided by auditors and the survey results for recent performance audits.

Thereafter, the Committee noted the report.

9. Risks: outputs from the annual audit 2014/15

The Committee considered a report by the Assistant Auditor General on the follow-up review of audit risks identified from the 2014/15 audit process as reported in the council annual audit reports.

Following discussion, the Committee:

- Noted advice from the Assistant Auditor General that he is discussing with the Secretary how to improve the reporting of audit risks to the Commission.
- Such discussion will include:
 - The definition of risk, in relation to the audit and to the audited body.
 - The balance of risks between financial and service sustainability and impact.
 - Ensuring better read across between categories of risk and impact.

Actions: Assistant Auditor General

Thereafter, the Committee noted the report.

10. Annual audit – impact review

The Committee considered a report by the Assistant Auditor General advising of the types, prevalence and significance of risks and recommendations being reported by appointed auditors.

Following discussion, the Committee noted advice from the Assistant Auditor General that the discussions referred to in item 9 above were resonant to this item.

Thereafter, the Committee noted the report.

11. Accounting and auditing update

The Committee considered a report by the Assistant Auditor General advising of recent accounting and auditing developments affecting the public sector, particularly local government in Scotland.

Following discussion, the Committee noted the report.

12. Policy briefing: Public investment, environment and infrastructure

The Committee considered a report by the Secretary to the Commission introducing a briefing by the Director of PABV on the public finances, investment and economic

development cluster. The briefing had previously been presented to the Performance Audit Committee, and the Financial Audit and Assurance Committee Chair had asked that it be presented to this Committee. The presentation was done by Gemma Diamond, Senior Manager, PABV and Gordon Smail, Senior Manager, PABV.

Following discussion, the Committee agreed:

- That the Director of PABV provide more information on the progress of the review into the office and function of the Scottish Road Works Commissioner.

Action: Director of PABV

- To note the report.

13. Any other business

There being no further business, the meeting was closed.

1. Apologies

It was noted that no apologies for absence had been received.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in items 4 and 6, as a non-executive Director of the Wheatley Group, in relation to its relationship with Glasgow City Council and Glasgow Housing Association
- Tim McKay, in item 5, as a former elected member of City of Edinburgh Council
- Douglas Sinclair, in item 5, as a former chief executive of Fife Council and of the Convention of Scottish Local Authorities.
- Geraldine Wooley, in item 4, as a previous member of Madras School parent council, and in item 6, having a close family member with a professional interest in housing matters.

3. Minutes of meeting of 25 February 2016

The minutes of the meeting of 25 February 2016 were noted and approved, subject to, in item 2, correcting the misspelling of Geraldine Wooley's name.

Arising therefrom, the Committee:

- In relation to item 4, last bullet (Dunfermline Flood Prevention Scheme), noted advice from the Controller of Audit on progress with his investigating issues around the scheme, including dialogue between the local external auditor and the Council.
- In relation to item 12, first bullet (Scottish Road Works Commissioner), heard from the Controller of Audit on the progress of the review into the office and function of the Scottish Road Works Commissioner, and noted that further information would be provided on the Commission members' portal.

Action: Secretary

4. Current issues from local authority audits

The Committee considered a report by the Controller of Audit outlining emerging issues, recurring themes and individual issues of interest in Scottish councils.

During discussion, the Committee agreed:

- That information previously provided to the Commission on the attribution of roads assets in financial statements be provided on the Commission members' portal.

Action: Secretary

- To note advice from the Director of Audit Services on the ongoing monitoring by the local external auditor of the proposed joint venture model between Glasgow City Council, Wheatley Group and City Building.
- That more comprehensive information be provided on all integration joint boards, in relation to budgets, reserves and staff information.

- That more information be provided on costs and benefits associated with the Reclaiming Social Work model as adopted by Aberdeen City Council and developed by the London Borough of Hackney.
- That consideration be given to incorporating council budget information into the local government overview report, the approach of which is to be considered by the Commission at its next meeting.

Actions: Controller of Audit

- To note advice from the Controller of Audit that he is retaining a watching brief on press reports in relation to allegations of corrupt practices in North Lanarkshire Council.
- To note advice from the Controller of Audit that he is retaining a watching brief on issues around the construction of schools in City of Edinburgh.

5. Briefing: Equal Pay – options for further work

The Committee considered a report by the Director of Performance Audit and Best Value, providing a background to equal pay related issues, explaining the potential risks in more detail and setting out proposals for delivering this work.

Following discussion, the Committee:

- Noted the background to equal pay issues in local government in Scotland.
- Approved the proposed approach to the audit, subject to points raised in discussion being addressed by the audit team in conjunction with the audit sponsors.

Action: Director of PABV

- To this end, noted that sponsors would be appointed to the audit in early course.
- That further discussion take place between the Commission committee chairs, Commission Chair and Secretary regarding committee oversight of this work.

Actions: Secretary

6. Draft report: Housing benefit audit: emerging messages – initiatives which deliver continuous improvement

The Committee considered a draft report by the Assistant Auditor General on the draft report *Housing Benefit good practice guide: initiatives which deliver continuous improvement*.

Following discussion, the Committee agreed:

- To approve the report for publishing and sharing with councils, subject to a renaming of the report to include reference to Best Value.

Action: Assistant Auditor General

- To note advice from the Secretary that he would discuss with Audit Scotland the appropriate positioning of this report, and related such reports, on the Commission website.

7. Any other business

There being no further business, the meeting was closed.

MEETING: 8 SEPTEMBER 2016

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF
25 AUGUST 2016**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 25 August 2016, at 10am.

PRESENT: Graham Sharp (Chair)
Tim McKay
Douglas Sinclair
Pauline Weetman
Geraldine Wooley
Ronnie Hinds

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Angela Canning, Assistant Director, PABV [Items 4 and 5]
Angela Cullen, Assistant Director, PABV [Item 6]
Emily Gleeson, Audit Manager, PABV [Item 6]
Mark McCabe, Senior Manager, PABV [Items 4, 5 and 6]
Martin McLauchlan, Senior Auditor, PABV [Items 4 and 5]

1. Apologies for absence
2. Declarations of interest
3. Draft minutes of meeting of 28 April 2016
4. Summary of councils' budgets and funding gaps, 2016/17 to 2018/19
5. Local government overview – financial overview: scope
6. Performance audit: scope – Equal pay
7. Any other business

1. Apologies

It was noted that apologies for absence had been received from Sheila Gunn.

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 6, as a former Chief Executive of Fife Council. He was not present during consideration of the said item.
- Tim McKay, in item 6, as a former elected member of City of Edinburgh Council. He played no part in the consideration of the said item.
- Douglas Sinclair, in item 6, as a former Chief Executive of CoSLA and a former Chief Executive of Fife Council. He was not present during consideration of the said item.

3. Minutes of meeting of 28 April 2016

The minutes of the meeting of 28 April 2016 were noted and approved.

Arising therefrom, the Committee noted advice from the Director of PABV that:

- In relation to item 4, second bullet point (proposed joint venture model between Glasgow City Council, Wheatley Group and City Building), he would provide an update in this regard to the Committee at its next meeting, in his regular report on current issues arising in the annual audit process.
- In relation to item 4, third bullet point (information on integration joint boards), this information was being gathered for reporting through the annual audit process and the Local Government Overview, on which he would report further in due course.
- In relation to item 4, final bullet point (City of Edinburgh schools), he is retaining a watching interest in the issue, and would update the Commission as appropriate.

4. Summary of councils' budgets and funding gaps, 2016/17 to 2018/19

The Committee considered a report by the Director of PABV providing details of councils' agreed budgets for 2016/17, their budgeted use of reserves and any forecasted funding gaps for 2017/18 and 2018/19.

During discussion, the Committee agreed:

- To note the contents of the report and the projected funding gaps identified for individual councils and at a national level.
- To note advice from the Director that he would continue discussions with CIPFA Directors of Finance Section on definitions used in analyses of funding gaps.
- To note advice from the Director about the requirements on auditors, as set out in the new Code of Audit Practice, to report on the quality of savings plans and prospects for achievability of those plans.

- A number of points for reflection in the Local Government Overview reports, to be considered by the report team in conjunction with the Overview sponsors, Douglas Sinclair and Ronnie Hinds.

Action: Controller of Audit

5. Local Government overview – financial overview: scope

The Committee considered a report by the Director of PABV proposing a scope for the financial overview of local government in Scotland 2015/16.

Following discussion, the Committee:

- Approved the scope of the 2015/16 financial overview report, subject to a number of points to be considered by the report team in conjunction with the report sponsors, Douglas Sinclair and Ronnie Hinds.
- Agreed a number of points to be considered, by the report team in conjunction with the report sponsors, for the other 2015/16 overview report to be published subsequent to, and as complement to, the financial overview report.
- Agreed the desirability of ensuring good linkages and continuation of the messages in the financial overview and the complementary overview report.
- Agreed the importance of making use of data from the Local Government Benchmarking Project in overview reports.
- Agreed the importance of both overview reports considering the scale of savings plans and developing how the overviews assess the quality and ambition of savings plans.
- Agreed the desirability of future reports providing a better understanding of financial savings achieved over a longer time period, such as three years.

Actions: Director of PABV

- Agreed to recommend to the Commission that indebtedness be considered further in the context of the work programme.

Action: Secretary and Director of PABV

- Noted that the audit team will present emerging messages and discuss potential opportunities for improving the impact of the report in September.

6. Performance audit: scope – Equal Pay

The Committee considered a report by the Director of PABV seeking approval on the approach to the performance audit *Equal Pay*.

Following discussion, the Committee approved the approach proposed in the Director's report, subject to the audit team addressing issues raised in discussion, in conjunction with the audit sponsors, Sheila Gunn and Pauline Weetman.

Action: Director of PABV

7. Any other business

There being no further business, the meeting was closed.

FINANCIAL AUDIT AND ASSURANCE COMMITTEE

MEETING: 24 NOVEMBER 2016

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

MINUTES OF PREVIOUS MEETING

Introduction

1. This paper provides updated information on the previous minutes of the Committee.

Updated information

2. The Accounts Commission, at its meeting of 10 November 2016, approved the attached minutes of the Financial Audit and Assurance Committee of 22 September 2016.

Conclusion

3. The Committee is asked to note:
 - a) The attached minute.
 - b) Any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
16 November 2016

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF
22 SEPTEMBER 2016**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 8 Nelson Mandela Place, Glasgow on Thursday, 22 September 2016, at 10am.

PRESENT: Graham Sharp (Chair)
 Tim McKay
 Douglas Sinclair
 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)
 Russell Frith, Assistant Auditor General
 Fiona Kordiak, Director, Audit Services
 Tim Bridle, Technical Adviser, Audit Strategy [Item 7]
 Angela Canning, Assistant Director, PABV [Item 6]
 Mark McCabe, Senior Manager, PABV [Item 6]
 Martin McLauchlan, Senior Auditor, PABV [Item 6]
 Paul O'Brien, Senior Manager, Audit Strategy [Item 8]

1. Apologies for absence
2. Declarations of interest
3. Draft minutes of meeting of 25 August 2016
4. Current Issues from the local authority audits
5. Intelligence from Ombudsman (six monthly report)
6. Local Government Financial Overview – emerging messages
7. Local Government Pension Scheme Update
8. Accounting and auditing update (six monthly report)
9. Any other business

1. Apologies

It was noted that apologies for absence had been received from Ronnie Hinds.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 3, as a non-executive Director of the Wheatley Group, in relation to its relationship with Glasgow City Council and Glasgow Housing Association.
- Tim McKay, in item 7, as former Chair of Lothian Pension Fund Trustees.
- Douglas Sinclair, in relation to item 7, as a recipient of a pension from the Local Government Pension Scheme.
- Geraldine Wooley, in relation to:
 - item 4, as a close family member is an adviser to the Scottish Government on the Scottish Welfare Fund and other benefits matters (in relation to correspondence received by Audit Scotland in relation to the Fund) and as a former member of Madras School parent council (in relation to a reference in the report to an ongoing planning issue in Fife Council).
 - item 7, as a recipient of a pension from the Local Government Pension Scheme.

3. Minutes of meeting of 25 August 2016

The minutes of the meeting of 25 August 2016 were noted and approved as a correct record.

Arising therefrom, the Committee noted, in relation to item 3 (proposed joint venture model between Glasgow City Council, Wheatley Group and City Building), advice from the Controller of Audit that he anticipated that the matter would be covered in the annual audit report for the Council, and he would keep the Committee updated on the matter.

Action: Controller of Audit

4. Current issues from the local authority audits

The Committee considered a report by the Controller of Audit advising of emerging issues and recurring themes, as well as individual issues of interest, arising from audit work in Scottish councils.

During discussion, the Committee agreed:

- That 'Lender Option, Borrower Option' loans be considered for possible work in the work programme and referred to specifically in the forthcoming impact report for the Borrowing and Treasury Management performance audit.
- That further updates on the external auditor's review of Argyll and Bute Council's 2016/17 budget setting process be provided at future meetings as appropriate.

- That the Controller of Audit provide further information on the capital finance methods being used in Aberdeen City Council's new south city academy project.
- That the Controller of Audit provide further information on the business cases behind the exit packages given to three former council officers of Fife Council, as referred to in the draft accounts.
- That the Controller of Audit keep the Committee updated on the suspension of the Executive Director of Land and Environmental Services in Glasgow City Council.
- That the Controller of Audit provide further information on the timing of the new IT contract awarded by Scottish Borders Council to CGI.

Actions: Controller of Audit

Thereafter, the Committee noted the report.

5. Intelligence from Ombudsman (six monthly report)

The Committee considered a report by the Secretary to the Commission updating the Committee of intelligence emerging from the work of the Scottish Public Services Ombudsman, Commissioner for Ethical Standards in Public Life in Scotland; Standards Commission; and Information Commissioner.

Following discussion, the Committee:

- Agreed that the Controller of Audit consider how to ensure that a longitudinal perspective of such intelligence features in the intelligence being considered for each council in the new approach to auditing Best Value.

Action: Controller of Audit

- Noted the report.

6. Local Government Financial Overview – emerging messages

The Committee considered a report by the Director of PABV proposing the emerging messages for the 2015/16 local government financial overview report.

Following discussion, the Committee agreed:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the report team in conjunction with the report sponsors.
- That a draft report be taken to the Commission meeting in November, prior to publication in that month.
- That further thought be given to ensuring consistency between the title of this report and the forthcoming local government overview report due for publication in spring 2017.
- To note advice from the Director that dialogue would take place with CIPFA Directors of Finance on the emerging messages in the report.
- That, in relation to non-borrowing debt, the issue be given further consideration in relation to the proposed refresh of the work programme to be considered by the Commission in December.

Actions: Director of PABV

7. Local Government Pension Scheme update

The Committee considered a report by the Assistant Auditor General along with a presentation providing an overview of developments within the Local Government Pension Scheme sector together with some key messages in the pension fund unaudited accounts for 2015-16.

Following the presentation and discussion, the Committee:

- Noted that messages would be reflected in the local government financial overview report and the overview team would be liaising with the national Scheme Advisory Board accordingly.
- Agreed that messages be shared with councils, pension fund trustees and the national Scheme Advisory Board, by way of a letter from the Commission Chair.

Actions: Assistant Auditor General and Secretary

8. Accounting and auditing update (six monthly report)

The Committee considered a report by the Assistant Auditor General informing the Committee of recent accounting and auditing developments affecting the public sector, particularly local government in Scotland.

During discussion, the Committee noted advice from the Secretary in relation to his ongoing discussions with the Scottish Government on the Commission's proposal to reflect the Financial Reporting Council's revised ethical standard in the Commission's Code of Conduct.

Following discussion, the Commission noted the report.

9. Any other business

There being no further business, the meeting was closed.

FINANCIAL AUDIT AND ASSURANCE COMMITTEE

MEETING: 23 FEBRUARY 2017

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

MINUTES OF PREVIOUS MEETING

Introduction

1. This paper provides updated information on the previous minutes of the Committee.

Updated information

2. The Accounts Commission, at its meeting of 8 December 2016, approved the attached minutes of the Committee of 24 November 2016, subject to, in relation to item 4 (second bullet point):
 - Inserting “index-linked” before “capital bond”.
 - Adding a sub-bullet thus: “that there was no indication of other authorities pursuing this approach”.

Conclusion

3. The Committee is asked to note:
 - a) The attached minute.
 - b) Any other updates provided at today’s meeting.

Paul Reilly
Secretary to the Commission
15 February 2017

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF
24 NOVEMBER 2016**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 24 November 2016, at 10am.

PRESENT: Graham Sharp (Chair)
 Tim McKay
 Douglas Sinclair
 Pauline Weetman
 Geraldine Wooley
 Sheila Gunn

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fiona Kordiak, Director of Audit Services
 Dave McConnell, Assistant Director, Audit Services [Items 4 and 5]
 Anne MacDonald, Senior Audit Manager, Audit Services [Items 4 and
 5]
 Paul O'Brien, Senior Manager, Audit Strategy [Item 7]

1. Apologies for absence
2. Declarations of interest
3. Draft minutes of meeting of 22 September 2016
4. Current Issues from the local authority audits
5. Audit Planning: Priorities and processes
6. Auditor skills in a changing business world – a potential skills gap?
7. Update on Highways Network Asset
8. Any other business

1. Apologies

It was noted that apologies for absence had been received from Ronnie Hinds.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 4, as a non-executive Director of the Wheatley Group, in relation to its relationship with Glasgow City Council and Glasgow Housing Association. She played no part in the consideration of the said item.
- Douglas Sinclair, in item 4, as a former Chief Executive of Fife Council. He played no part in the consideration of the said item

3. Minutes of meeting of 22 September 2016

The minutes of the meeting of 22 September 2016 were noted and approved as a correct record, subject to the inclusion of Sheila Gunn as being present at the meeting.

Arising therefrom:

- Advice from the Director of Audit Services was noted:
 - In relation to item 4 (first bullet point), that the impact report for the previous performance audit on Borrowing and Treasury Management was to be considered today by the Performance Audit Committee, and the matters covered by the report would be addressed by the Commission as part of it considering at its meeting on 8 December 2016 a refresh of its rolling work programme.
 - In relation to item 4 (third bullet point), that further information on the capital finance methods used by Aberdeen City Council was covered in the 'current issues' report at this meeting.
 - In relation to item 4 (fourth bullet point), that the local auditor had investigated the business cases behind the exit packages given to three former council officers of Fife Council, as referred to in the draft accounts, and was satisfied that the process followed was appropriate.
 - In relation to item 4 (fifth bullet point), that further information on the suspension of the Executive Director of Land and Environmental Services in Glasgow City Council was covered in the 'current issues' report at this meeting.
 - In relation to item 4 (sixth bullet point), that further information on the new IT contract awarded by Scottish Borders Council to CGI was covered in the 'current issues' report at this meeting.
- Advice from the Secretary was noted:
 - In relation to item 6, that the 2015/16 local government financial overview report would be published on 29 November, and that he was discussing with the clerk of the Local Government and Communities Committee a briefing from the Commission to the Committee on the report.

- In relation to item 7, that (i) a meeting of the National Pensions Scheme Advisory Board scheduled for 22 November, to which Audit Scotland officials had been invited to discuss the approach to the Commission's financial overview report, which includes information on the Local Government Pension Scheme, had been cancelled; and (ii) consequently, he would discuss with Audit Scotland how to share messages from the unaudited pension fund accounts with councils, pension fund trustees and the national advisory board.

4. Current issues from the local authority audits

The Committee considered a report by the Controller of Audit advising of emerging issues and recurring themes, as well as individual issues of interest, arising from audit work in Scottish councils.

During discussion, the Committee agreed:

- In relation to paragraph 5 of the covering report (Fife Council: Dunfermline Flood Prevention Scheme):
 - to note the update from the Controller of Audit, including reporting of the matter through the annual audit.
 - to note that the Controller of Audit would continue to monitor the matter with a view to reporting further to the Commission as appropriate.
- In relation to paragraph 2 of the detailed report (Aberdeen City Council: capital bond), to note advice from the Director of Audit Services that the matter would be monitored as part of the annual financial audit, upon which the Controller of Audit would report further as appropriate.
- In relation to paragraph 27 of the detailed report (Dundee City Council: fraud case), to note advice from the Director of Audit Services that the Controller of Audit continues to monitor the matter.
- In relation to paragraph 33 of the detailed report (Glasgow City Council: restructuring of City Building (Glasgow) LLP), to note advice from the Director of Audit Services that the Controller of Audit continues to monitor the matter with a view to reporting further to the Commission.
- In relation to paragraph 36 of the detailed report (Integration authorities), that more information on the progress of the authorities be provided to the Commission.
- That further information be provided in relation to the following matters:
 - East Ayrshire Council: capital programme (paragraph 5 of the detailed report)
 - East Ayrshire Council: opencast coal mining legacy issues (paragraph 9 of the detailed report)
 - Inverclyde / East Dunbartonshire / West Dunbartonshire councils: frontline shared service (paragraph 10 of the detailed report)
 - Highland Council: catering, cleaning and facilities management / janitorial services (paragraph 12 of the detailed report)

- Orkney Council: 'budget simulator' (In relation to paragraph 22 of the detailed report)

Actions: Controller of Audit

Thereafter, the Committee noted the report and commended the Controller of Audit on the quality of the report.

5. Audit planning: priorities and processes

The Committee considered a presentation by David McConnell and Anne MacDonald from Audit Services on planning for the audit in the forthcoming year.

Following the presentation and discussion, the Committee:

- Agreed that the Secretary and Director of Performance Audit and Best Value consider, as part of the revised approach to auditing Best Value:
 - how self-evaluation features in Best Value auditing guidance.
 - how to encourage fruitful dialogue between audit teams and elected members

Action: Secretary and Director of PABV

- Noted the issues raised in the presentation.
- Noted advice from the Chair that he was considering how to feature more prominently in the Commission's business the practical experience of auditors and, to this end, he would welcome views from Committee members on:
 - How this could be done
 - What matters they would like to discuss with auditors.

Thereafter, the Chair thanked David McConnell and Anne MacDonald for their presentation.

6. Auditor skills in a changing business world – A potential skills gap?

The Committee considered a paper by the Director of Audit Services on the main findings from a report published by the Institute of Chartered Accountants in Scotland (ICAS) and the Financial Reporting Council (FRC) on auditor skills. The paper also set out the action being taken by Audit Scotland to respond to the issues raised in the report.

Following discussion, the Committee agreed to note the paper.

7. Update on highways network asset

The Committee considered a paper by the Assistant Auditor General advising of a recent decision to postpone the implementation of moving to a current value basis for the highways network asset until 2017/18 at the earliest.

Following discussion, the Committee agreed to note the paper.

8. Any other business

There being no further business, the meeting was closed.