

MEETING: 13 JUNE 2019

MINUTES OF PREVIOUS MEETING

Minutes of the 457th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 9 May 2019, at 10.00am.

PRESENT: Graham Sharp (Chair)
Andrew Burns
Andrew Cowie
Sophie Flemig
Sheila Gunn
Ronnie Hinds
Christine Lester
Tim McKay
Stephen Moore
Sharon O'Connor
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 (AQA) (Item 17)
Gemma Diamond, Senior Manager, PABV (Item 14)
Lisa Duthie, Senior Auditor, Audit Services (Item 14)
John Gilchrist, Manager, AQA (Item 17)
Carole Grant, Senior Audit Manager, Audit Services (Item 14)
Brian Howarth, Audit Director, Audit Services (Item 14)
Diane McGiffen, Chief Operating Officer (Item 16)
Fiona Mitchell Knight, Audit Director, Audit Services (Item 13)
Owen Smith, Senior Manager, AQA (Item 17)
Martin Walker, Associate Director (Item 16)
Peter Worsdale, Audit Manager (Items 10 to 12)

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 11 April 2019
5. Minutes of meeting of Financial Audit and Assurance Committee of 25 April 2019
6. Minutes of meeting of Performance Audit Committee of 25 April 2019
7. Audit Scotland Board update
8. Update report by the Secretary to the Commission
9. Update report by the Controller of Audit.
10. Draft Commission Annual Report
11. Draft Commission Strategy 2019-24
12. Commission engagement strategy, report and update
13. Best Value Assurance Report schedule 2020
14. Best Value Assurance Report – North Lanarkshire Council
15. Best Value Assurance Report – North Lanarkshire Council (in private)
16. Audit Scotland strategic planning update (in private)
17. Draft Audit Quality Annual Report (in private)
18. Commission business matters

1. Apologies for absence

It was noted that there were no apologies for absence.

2. Declarations of interest

The following declarations of interest were made:

- Sophie Flemig, in items 14 and 15, having undertaken previous work with North Lanarkshire Council.
- Geraldine Wooley, in item 8, as a member of the Scottish Housing and Property Chamber and Fife Valuation Appeal Committee, in relation to references to housing matters, council tax and non-domestic rates.

3. Decisions on taking business in private

It was agreed that items 15 to 18 be considered in private because:

- Item 15 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 16 requires the Commission to consider confidential policy, business and commercial matters.
- Item 17 proposes a draft report which the Commission is to consider in private before publishing.

No business was notified by members for item 18 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 11 April 2019

The minutes of the meeting of 11 April 2019 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 10, noted advice from the Secretary that the Best Value Assurance Report for Stirling Council was published on 23 April, and the Commission would be meeting the Council on 27 May to discuss the report and the Council's response to it.
- In relation to item 11, noted advice from the Chair he had advised Audit Scotland Board at its meeting on 1 May of the Commission seeking further assurance from Audit Scotland on contingencies in place in relation to various areas of risk in the project leading to a new Code of Audit Practice and new audit appointments.
- In relation to item 12, noted advice from the Secretary that the 2019 Mainstreaming Equality and Equality Outcomes progress report was published on 6 May.

5. Minutes of meeting of Financial Audit and Assurance Committee of 25 April 2019

The Commission considered and approved the minutes of the meeting of 25 April 2019 as a correct record, subject to noting that the second last bullet point in item 5 should refer to Police Scotland rather than the Scottish Police Service.

6. Minutes of meeting of Performance Audit Committee of 25 April 2019

The Commission considered and approved the minutes of the meeting of 25 April 2019 as a correct record, subject to noting advice from the Secretary that the response to the consultation by the Chartered Institute of Public Finance Accountants had been made available to members on their extranet site.

7. Audit Scotland Board Update

The Commission considered a report providing an update on the recent activity of the Audit Scotland Board.

Arising therefrom, in relation to the minutes of the meeting of Audit Scotland Board of 18 March, the Commission:

- In response to a query from Sheila Gunn in relation to item 9 of the minutes, noted advice from the Secretary that it would be expected that the Commission has a sound understanding of fee setting as part of agreeing a strategy for the procurement of the next round of auditor appointments, and he would discuss further with Audit Scotland arrangements to this end.

Action: Secretary

- In response to a query from Ronnie Hinds in relation to item 19 of the minutes, noted advice from the Director of PABV that he would report back on Audit Scotland's review of performance in relation to the Institute of Chartered Accountants professional qualification.

Action: Director of PABV

Thereafter, the Commission noted the report.

8. Update report by the Secretary to the 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:

- In relation to paragraph 13, in response to a query from Stephen Moore, noted advice from the Secretary and Director of PABV that they would keep the Commission updated on the progress of the Scottish Government's development of the national islands plan.

Action: Secretary and Director of PABV

- In relation to paragraph 22, in response to a query from Geraldine Wooley, noted advice from the Secretary that he would report back on any national developments in relation to skills and capacity in the building control profession.

Action: Secretary

- In relation to paragraphs 54 and 59, in response to a query from Sheila Gunn, noted advice from the Controller of Audit that council tax and rent arrears were significant risks for councils which he continued to monitor and report to the Commission appropriately.

- In response to a query from Stephen Moore on the progress of the Children and Young People (Information Sharing) (Scotland) Bill, noted advice from the Secretary that he would provide an update in his next report.

Action: Secretary

Following discussion, the Commission agreed:

- To note the report.
- Not to respond to the Scottish Government 'Strengthening Fire Safety for High Rise Domestic Buildings' consultation.
- Not to respond to the call for evidence from the Local Government and Communities Committee on the Non-Domestic Rates (Scotland) Bill, but to retain an interest in the committee's work in this regard.

9. Update report by the Controller of Audit

The Commission noted a verbal update from the Controller of Audit on his recent activity.

10. Draft Commission Annual Report 2019/20

The Commission considered a report from the Secretary proposing its draft Annual Report 2019/20.

Following discussion, the Commission agreed to:

- Approve the draft Annual Report 2019/20, subject to the drafting team considering points raised in discussion.
- Approve the publication and promotion arrangements for the report.

Action: Secretary

11. Draft Commission Strategy 2019-24

The Commission considered a report from the Secretary proposing its draft Strategy 2019-24.

Following discussion, the Commission agreed to:

- Approve the draft Strategy 2019-24, subject to the drafting team considering points raised in discussion.
- Approve the publication and promotion arrangements for the Strategy.

Action: Secretary

12. Commission engagement strategy: report and update

The Commission considered a report from the Secretary proposing the draft progress report against its Engagement Strategy and Action Plan 2018/19 and a revised Engagement Strategy 2019-25.

Following discussion, the Commission agreed to:

- Approve the draft Engagement Strategy and Action Plan 2018/19 and a revised Engagement Strategy 2019-25, subject to the drafting team considering points raised in discussion.
- Approve the publication and promotion arrangements for the documents.

Action: Secretary

13. Best Value Assurance Report Schedule 2020

The Commission considered a report by the Director of PABV proposing a schedule of

Best Value Assurance Reports (BVARs) for the fourth year of the BVAR programme, to be reported in 2020.

Following discussion, the Commission:

- Endorsed the proposed schedule. *Action: Director of PABV*
- Noted advice from the Director, in response to queries from Andy Cowie and Stephen Moore, on how he will ensure learning from BVAR work in island authorities.

14. Best Value Assurance Report: North Lanarkshire Council

The Commission considered a report by the Secretary presenting the Controller of Audit's Best Value Assurance Report for North Lanarkshire Council.

Following questions to the Controller of Audit, the Commission agreed to consider in private how to proceed.

15. Best Value Assurance Report: North Lanarkshire Council (in private)

The Commission discussed how to proceed in relation to the Controller of Audit's Best Value Assurance Report for North Lanarkshire Council.

Following discussion, the Commission agreed to make findings, to be published on 23 May

16. Audit Scotland strategic planning update (in private)

The Commission considered a report by the Chief Operating Officer, Audit Scotland providing an update on Audit Scotland's strategic planning process and operating environment and discussing Audit Scotland's key organisational priorities for future years.

Following discussion, the Commission:

- Noted Audit Scotland's strategic planning process and key organisational priorities for future years.
- Noted advice from the Chief Operating Officer and Director of PABV on matters arising from auditor and staff feedback, as reported in the draft *Quality of public audit in Scotland annual report 2018/19*.
- Agreed that Audit Scotland's Human Resources & Organisational Development Manager be considered as a future lunchtime speaker for committee meeting days.

Action: Secretary and Chief Operating Officer, Audit Scotland

17. Draft Audit Quality Annual Report (in private)

The Commission considered a report by the Associate Director, Quality Audit and Appointments proposing the draft *Quality of public audit in Scotland annual report 2018/19*.

Following discussion, the Commission agreed:

- That it has positive assurance about the quality of audit work in 2018/19, as reported in quality assurance and reporting processes.

- That this assurance be reported in the Commission's own annual report 2018/19.

Action: Secretary

- Noted advice from the Associate Director on ongoing discussions with audit providers on matters arising from auditor and staff feedback, as set out in the report.

- Endorse *Quality of Public audit in Scotland annual report 2018/19*, subject to the Associate Director, Audit Quality and Appointments considering points raised in discussion

Action: Associate Director, Audit Quality and Appointments

18. Commission business matters

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