

MEETING: 11 AUGUST 2016

MINUTES OF PREVIOUS MEETING

Minutes of the 428th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 9 June 2016, at 10.15am

PRESENT: Douglas Sinclair (Chair)
Sandy Cumming
Sheila Gunn
Christine May
Stephen Moore
Alan Campbell
Pauline Weetman
Geraldine Wooley
Graham Sharp
Tim McKay

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, Benefits (Technical) [Items 8 and 12]
Gemma Diamond, Senior Manager, PABV [Items 10 and 11]
Russell Frith, Assistant Auditor General, [Items 8, 12, 13]
Lorraine Gillies, Senior Manager, PABV [Item 15]
Fiona Mitchell-Knight, Assistant Director, ASG [Items 10 and 11]
Ronnie Nicol, Assistant Director, PABV [Items 9, 10, 11, 14]
Dave Richardson, Senior Manager, ASG [Items 10 and 11]
Kathrine Sibbald, Senior Manager, PABV [Items 9 and 14]
Owen Smith, Senior Manager, Audit Strategy [Item 13]

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 12 May 2016
5. Minutes of meeting of Audit Scotland Board of 24 March
6. Update report by the Secretary to the Accounts Commission
7. Update report by the Controller of Audit
8. Housing Benefit Audit Annual Report
9. The New Approach to Auditing Best Value
10. Audit of Best Value: Follow Up: South Ayrshire Council
11. Audit of Best Value: Follow Up: South Ayrshire Council
12. Draft report: Housing benefit audit – initiatives which deliver continuous improvement
13. National Fraud Initiative
14. Auditing Best Value: Year 1 Programme
15. Community Empowerment Act: consultation response
16. Review of Commission Code of Conduct and Appointment of Standards Officer
17. Commission business matters

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in items 8 and 12, as a non-executive Director of the Wheatley Group, in relation to its relationship with Glasgow Housing Association
- Christine May, in item 16, as Vice-Chair of Fife Cultural Trust, in relation to references to arm's length external organisations
- Stephen Moore, in item 7, as a former Director of Social Work and Interim Director of Health and Social Care Integration in Fife Council, in relation to a recent criminal case involving the Council.
- Geraldine Wooley, in item 8, as a close family member of someone who writes and comments on benefits issues, and in item 13, as a member of Fife Valuation Appeal Committee, in relation to its assessment work.

3. Decisions on taking business in private

It was agreed that items 11 to 16 should be taken in private for the following reasons:

- Item 11 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 12 proposes a draft audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 13 presents a draft report, which requires further stakeholder consultation by Audit Scotland before publishing.
- Item 14 proposes a programme of Best Value auditing activity, on which the Commission would wish to consult with affected stakeholders before publishing.
- Item 15 presents a draft response to a Scottish Government consultation exercise, which may have aspects of business in relation to Commission policy which the Commission wishes to discuss in private before publishing.
- Item 16 presents issues in relation to the Commission's Code of Conduct and thus affecting the conduct of Commission members, which the Commission wishes to discuss in private before publishing.

4. Minutes of meeting of 12 May 2016

The minutes of the meeting of 12 May 2016 were approved, subject to:

- In relation to item 14, adding a fifth bullet point: "welcomed the new section of the Commission website allowing interactive analysis of council accounts information".
- In relation to item 15, adding a second bullet point: "that final sign-off of the report be delegated to the sponsors of the report in conjunction with the Auditor General".

5. Minutes of meeting of Audit Scotland Board 24 March 2016

The minutes of the meeting of the Audit Scotland Board of 24 March 2016 were submitted and noted.

Arising therefrom, in relation to item 14 of the minutes, the Commission agreed that the Secretary apply to the Commission an evaluation of board effectiveness exercise like that undertaken by the Audit Scotland Board.

Action: Secretary

6. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Commission providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

Following discussion, the Commission agreed to note advice from the Secretary:

- In relation to paragraph 25, on the make-up of the Scottish Parliament's Local Government and Communities Committee.
- In relation to paragraph 28, in response to a query from Sandy Cumming, that he would circulate a briefing paper produced by the Director of PABV on the councils not currently involved in City Deals in Scotland.
- In relation to paragraph 38, that the PricewaterhouseCooper report *The State We're In 2016* was available on the members' extranet.

Thereafter, the Commission agreed to note the report.

7. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

8. Housing Benefit Audit Annual Report

The Commission considered a report by the Assistant Auditor General seeking its endorsement of the outcome of Audit Scotland's housing benefit audit work 2015/16.

Following discussion, it was agreed:

- To endorse the report of the outcomes of the 2015/16 benefit performance audit work, subject to noting:
 - In paragraph 3, to name councils appropriately
 - In paragraph 7, removal of "eligible"
 - In paragraph 9, in the final sentence, the addition of "benefit" after "abolished".
 - In paragraph 21, to add reference to the availability of information on good practice in the report 'Review of activity to reduce fraud and error in housing benefit 2014/15.
- That the Chair write to council leaders, copied to chairs of audit and scrutiny committees and chief executives, promoting the report.

Action: Secretary and Assistant Auditor General

9. The New Approach to Auditing Best Value

The Commission considered a report by the Director of PABV providing an update on the development of the new approach to auditing Best Value and seeking its approval of the overall framework for the new approach.

Following discussion, the Commission:

- Noted the progress made on the new approach to auditing Best Value since the Commission meeting in April
- Noted an update from the Secretary on a meeting held on 3 June with the Scottish Government and the Convention of Scottish Local Authorities to discuss refreshing statutory guidance in relation to Best Value
- Agreed, subject to further refinement, the overall framework for the new approach as shown in the Appendix to report as a basis for formal engagement and communications and for future continued development of the audit, including the following:
 - In Exhibit 1, a better representation of the cyclical nature of the audit planning framework
 - A higher profile in the document to the importance of the role of self-evaluation covering all council services.
- Agreed that the Commission's Working Group on the new approach should meet over the next few months and consider issues identified at the workshop for Commission members on 11 May, including agreement on engagement activities with stakeholders over the Autumn, with reports being provided to the full Commission as appropriate.

Actions: Secretary and Director of PABV

10. Audit of Best Value: South Ayrshire Council

The Commission considered a report by the Secretary to the Commission seeking its consideration of the Controller of Audit's report of the Best Value audit of South Ayrshire Council and seeking direction on how to proceed.

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

11. Audit of Best Value: South Ayrshire Council [in private]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on the audit of Best Value in South Ayrshire Council.

Following discussion, the Commission agreed:

- To make findings, to be published on 29 June 2016.
- As part of those findings, to note that it will maintain its interest in the progress made by the Council and that the Controller of Audit will continue to monitor progress through the annual audit process.

Actions: Secretary

12. Draft report: Housing benefit audit – initiatives which deliver continuous improvement
[in private]

The Commission considered a report by the Assistant Auditor General seeking its approval of the draft audit report *Housing benefit good practice guide: initiatives which deliver continuous improvement*.

Following discussion, the Commission:

- Approved the draft report, subject to including a more prominent reference to Best Value and continuous improvement.
- Agreed the recommendation of the Financial Audit and Assurance Committee that the Chair write to council leaders, copied to chairs of audit and scrutiny committees and chief executives, promoting the report

Actions: Secretary and Assistant Auditor General

13. National Fraud Initiative [in private]

The Commission considered a report by the Assistant Auditor General presenting the outcomes of the 2014/15 National Fraud Initiative.

Following discussion, the Commission:

- Noted the draft report, subject to the inclusion of some revisions raised in discussion.
- Agreed that the final report be shared with members.
- That further thought be given by the Assistant Auditor General to the implications for the initiative of the existence of arm's length external organisations.

Actions: Assistant Auditor General

14. Auditing Best Value: Year 1 Programme [in private]

The Commission considered a report by the Director of PABV seeking consideration of arrangements for submission of Best Value Assurance Reports by the Controller of Audit during the first year of implementation of the new approach to auditing Best Value.

Following discussion, the Commission agreed the proposed arrangements.

Actions: Secretary and Director of PABV

15. Community Empowerment Act [in private]

The Commission considered a report by the Secretary to the Commission proposing a response, made jointly with the Auditor General, to various consultation exercises undertaken by the Scottish Government in relation to different aspects of the Community Empowerment Act.

Following discussion, the Commission agreed the proposed responses, subject to agreement with the Auditor General, and subject to revisions raised in discussion.

Action: Secretary to the Commission

16. Review of Commission Code of Conduct and Appointment of Standards Officer [in private]

The Commission considered a report by the Secretary to the Commission on his review of the Commission Members' Code of Conduct and proposing the appointment of the Secretary to the Commission as Standards Officer.

Following discussion, the Commission:

- Noted and endorsed the updated Ethical Standard framework published by the Financial Reporting Council
- Agreed the consequential proposed revisions to the Commission Members' Code of Conduct, subject to Ministerial approval.
- Agree to designate the Secretary to the Commission as the Standards Officer for the Commission.

Actions: Secretary to the Commission

17. Commission business matters

There being no further business, the meeting was closed.