

Minutes and matters arising from previous meeting

Secretary to Accounts Commission

Item 4
Meeting date: 16 January 2025

Purpose

1. This paper presents for the Commission's approval the draft minutes of the previous meeting of the Commission along with a summary of matters arising from those minutes.

Recommendations

2. The Commission is asked to:
 - Approve the attached draft minute of its previous meeting.
 - Consider any matters arising from the draft minute.

Minutes

3. The minute of the previous meeting is in Appendix 1.
4. Members should note that the action tracker – available to members via SharePoint and shared with them monthly – provides updates on progress from previous meetings.

Minutes

Thursday 12 December 2024, 10.00am

Audit Scotland offices, 102 West Port, Edinburgh, and
online via Microsoft Teams

516th meeting of the Accounts Commission

Present:

Jo Armstrong (Chair)
Malcolm Bell
Nichola Brown
Andrew Burns
Andrew Cowie
Carol Evans
Jennifer Henderson
Angela Leitch
Christine Lester (online)
Mike Neilson
Derek Yule

In attendance:

Sarah Watters, Secretary to the Commission
Helena Gray, Controller of Audit
Michael Oliphant, Audit Director, ASG (Items 5 and 14)
Anne MacDonald, Senior Audit Manager, ASG (Items 5 and 14)
Joe Chapman, Policy Manager to the Accounts Commission (Items 6 and 15)
Alison Cumming, Executive Director of PABV (Items 9 and 10)
Mark MacPherson, Audit Director, PABV (Items 9 and 10)
Gemma Diamond, Director of Innovation and Transformation, I&Q (Item 9)
Mark McCabe, Audit Manager, PABV (Item 10)
Tricia Meldrum, Senior Manager, PABV (Item 10)
Vicki Bibby, Chief Operating Officer (Items 11 and 12)

1. Apologies for absence

Apologies had been received from Ruth MacLeod.

2. Declaration of connections

Jo Armstrong declared a connection with Item 5 and 14 with the Chief Executive of Aberdeen City Council via the Hub network. Audit Scotland's Ethics Partner confirmed ahead of the meeting that this should not prohibit Jo's taking part in discussions.

Malcolm Bell declared a connection with items 5 and 14 as his son worked at Aberdeen City Council for part of the time of the fraud occurrence. Audit Scotland's Ethics Partner advised ahead of the meeting that Malcolm recuse himself from items 5 and 14.

No other connections were declared.

3. Order of business

It was agreed that items 9 to 16 would be considered in private, for the reasons stated on the agenda.

4. Minutes and matters arising from previous meetings

The Commission considered a report by Sarah Watters, Secretary, presenting the minutes of the meetings of December's meeting. Sarah raised a few points:

- Item 10 – Scottish Borders Council's Best Value report will be considered by all Council on 19 December 2024. The report is now available on the council's website
- Item 11 – Sarah had shared an email with members on 29 November 2024 in relation to expenses and tax implications.
- Item 15 – Sarah confirmed that following the Scottish budget Joe Chapman shared a list of current resources, lowed by a briefing from Audit Scotland on 11 December. There will be a follow up analysis in January.

With no further comments, the minutes were approved as a correct record.

5. Aberdeen City Council – section 102 report

The Commission considered the Controller of Audit's report on a significant fraud case in relation to council tax refunds at Aberdeen City Council. Following an introduction by Helena Gray, the discussion was structured according to the following themes:

- Audit process, including:
 - Sample sizes for internal audit testing, the controls in place at the time when the fraud occurred, and the work undertaken by both internal and external auditors to review these and whether they were complied with.
 - Terminology used within the report, the justification for stating that there have been 'no material misstatements', and the contrast of value versus impact where materiality is being discussed
- Improvement actions, including:
 - Swift action by the Council and the development of an improvement plan.
 - Timescales for implementing and completing actions on the Improvement Plan

- Internal Audit undertaking regular reviews and making additional recommendations beyond the initial scope, and the effect these have had on timescales for action review, which then made additional recommendations
- Amendment to processes related to retention of unclaimed credits
- The auditors' confidence that actions are appropriately prioritised for completion.
- Lessons to learn, including:
 - The need for assurance that similar issues are not happening in other councils
 - Important reminder to reflect on the case and review internal processes; the need for public bodies to implement robust systems of internal control, using annual governance statements to review whether sufficient controls are in place
 - Effectiveness of whistleblowing policies, and ensuring staff are aware of these policies and their own responsibilities.
- Other issues, including:
 - What actions should or will be taken to disseminate this information, and whether the Accounts Commission can support this.
 - Commending the officer who discovered and reported the matter.

Following discussion, the Commission agreed to decide in private how it wishes to respond to the report.

6. Local Government policy update report

The Commission considered a report by Joe Chapman, Policy Manager, providing an update on significant recent activity relating to local government.

Joe referred to information that has been shared with members regarding the Scottish budget, and provided a brief overview of more recent developments that will be included within January's report.

During the discussion:

- Carol Evans asked about the liability of a council which opts to stop funding related to flooding, if residents are significantly impacted as a result. Joe commented that the ongoing flood resilience performance audit will cover this policy area, but that individual councils must make funding decisions as part of budget setting.
- Malcolm Bell commented that the proposed Housing Planning Hub will address issues raised in recent Best Value reports. Jo Armstrong noted that planning could be considered for inclusion on the Commission's forward work programme at March's strategy seminar.
- Angela Leitch asked if there are any updates or timescales on public service reform, especially in relation to health and social care. Joe noted there have been no specific

updates recently, but the Scottish Government (SG) has said it plans to publish information about its approach to reform and sustainability in 2025.

- Derek Yule queried if there were any implications for Scottish councils' accounts from the NAO's announcement regarding Whole of Government Accounts and English local authorities. Joe noted that this is specific to England, with only an indirect connection to Scottish councils via UK funding for SG. Alison Cumming added that the Auditor General has raised issues with SG's accounts preparation in Section 22 reports, although she did not believe this was related to local government.
- Mike Neilson asked what the impact of increased National Insurance contributions will be on local government, commenting that the different aspects involved appear to bring a significant risk factor. Joe confirmed that independent analysis has identified this risk, and SG intends to continue to seek more funding from the UK Government.

Following discussion, the Commission noted the report.

7. Chair's update report

The Commission considered an update by Jo Armstrong on recent and upcoming activity.

During the discussion,

- Andrew Burns updated members on the collaborative event run by the three Ayrshire councils, which he attended alongside Blyth Deans, and felt was a positive and constructive event. He and Blyth participated in a Q&A session with the Chief Executives and senior officers of the councils, along with representatives from their public partners. Jo Armstrong commented that the transformation report along with the convening powers of the Commission are starting to have a positive impact.
- Jo highlighted the letter received from the Controller of Audit, which sets out an update on equal pay in Glasgow City Council. Jo thanked Helena for the letter, noted that the work will be picked up in the annual audit report, and said it was a good approach to reporting on an issue without requiring a statutory report.
- Jo acknowledged Audit Scotland colleagues' hard work over the year, as well as the refurbishment of the offices, noting an intent to hold a Commission meeting in the Glasgow office next year.

Following discussion, the Commission noted the update.

8. Any other public business

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

9. Impact reporting and work programme update

The Commission considered an update on impact reporting and the work programme by Alison Cumming, Executive Director of Performance Audit and Best Value (PABV), which asked the Commission to consider how the findings can be used, alongside other intelligence, to inform the work programme.

During the discussion:

- Alison explained this is a high-level paper which outlines the overall approach to the Commission's work programme. It was noted that the report proposed formally linking the work programme with the Commission strategy seminars, so reviewing the programme twice a year.
- Commission members asked about recommendations in audit reports and how these are monitored in terms of implementation and impact. Alison and Gemma explained that they are working on ensuring recommendations are as clear and effective as possible, including setting out our expectations and how we will measure success.
- Regarding social media engagement figures, Gemma said she will work with the communications team to provide an explanation of engagement rates.

Action: Director of Innovation & Transformation

- It was suggested that more rigour is required with public bodies when it comes to ensuring recommendations are implemented and desired outcomes are achieved. Joining up with other scrutiny bodies was also discussed. Gemma explained the approach to securing buy-in and ownership of recommendations from audited bodies, and the different, proportionate follow-up approaches that can be used.
- Members discussed the resource implications of doing more follow-up work to measure impact. Jo Armstrong felt that discussions about the effectiveness of recommendations and about follow-up work to measure impact would be worth revisiting at the March strategy seminar.
- When asked about the methodology for assigning each audit to the Commission's strategic priorities, Mark MacPherson advised that the analysis looks at which priorities are addressed by the primary purpose of the audit or are the subject of a significant part of the audit report.
- Gemma was asked about how increased security led to more downloads by bots being recorded in the figures in table 6. Gemma explained the work that is being done over time to assess the reliability of the statistics, and said she would follow up to provide members with more technical detail.

Action: Director of Innovation & Transformation

- Jo Armstrong highlighted topics not currently included in the work programme, including IT and digital across public services, and the role and impact of community planning partnerships. Jo also asked if PABV colleagues could provide proposals or rationales for items on the work programme, for the March strategy seminar.

Action: Executive Director of PABV

Following discussion, the Commission:

- noted the update
- noted that the mapping exercise confirms that the PABV outputs in the Commission's work programme map well to the Commission's five strategic priorities.
- agreed that the primary vehicle for engagement on the performance audit work programme should be the Commission's six-monthly strategy seminars.

10. Additional support for learning: draft briefing

The Commission considered its response to the draft briefing on Additional Support for Learning (ASL). Jo Armstrong asked Carol Evans to speak as a sponsor of the audit.

During the discussion:

- Alison Cumming highlighted two broad themes in the report: the need to improve the quality of data to better understand the needs of children and young people, and evaluating how ASL is planned for, funded and staffed as part of core education provision.
- Alison noted that whilst the Scottish Government draft budget sets out a planned increase in spending, there is limited detail available as yet. Meanwhile, the recently published statistics regarding ASL are being incorporated into the report.
- Carol said she enjoyed working as a sponsor on this audit and commented on the significant data challenges and limited progress highlighted in the report. She explained the approach taken in keeping recommendations concise and focused.
- Members discussed the increase in demand for ASL in schools, with 40% of pupils in publicly funded schools now recorded as receiving additional support for learning, noting that this trend is likely to continue in the coming years, and that review and reform of the current education system may be needed. Derek Yule raised the issue of council spending in areas like ASL being impacted by funding being ring-fenced or directed elsewhere.
- Andrew Burns noted that the strong recommendations made highlight the scale of improvement needed, and asked how progress against the recommendations will be assessed. Mark MacPherson explained that these will be addressed through a combination of general impact monitoring and, if deemed appropriate, specific follow-up work.
- Regarding comparisons with ASL trends elsewhere, Mark McCabe explained that the only comparator available is the NAO report for England, which shows similar trends but a proportionally lower rate of demand for ASL due to a tighter definition of what constitutes additional support needs.
- Several members raised the implications for wider education provision, the increase in demand for support since the Covid-19 pandemic, expectations on teachers and a lack of suitable training. Members agreed that future audit work should highlight the need for a whole system approach.

- Jo Armstrong reflected on the briefing approach taken, and whether it provides better value for money than undertaking a full performance audit.

Following discussion, the Commission:

- approved the draft briefing on Additional Support for Learning.
- delegated final approval of the content of the report to the sponsors, alongside the Auditor General for Scotland, through discussion with the audit team.
- noted the publication and parliamentary arrangements agreed with the sponsors.

11. Audit Scotland Q2 corporate performance report

The Commission considered the Audit Scotland Q2 corporate performance report.

During the discussion:

- Vicki Bibby noted that this report only covers up to the end of September. Vicki will provide an update on audit delivery to circulate in early 2025.

Action: Chief Operating Officer

- Vicki provided an update regarding the West and East Dunbartonshire Councils 2022/23 outstanding audits. It is expected that each annual audit report will go to the respective full council later in December.
- Vicki noted that Sarah is closely monitoring the Accounts Commission budget, and the virtual Commission meetings for January and February 2025 are expected to help to manage spend.
- Andy Cowie queried the current vacancy factor. Vicki noted that the budget includes a target of 5% for 25/26 and reflects recent recruitment.
- In relation to a query on correspondence, Vicki noted that trends and hot topics are shared with auditors and Audit Scotland's leadership group. Sarah said a six-monthly intelligence report is produced and shared with members – Joe Chapman will send the latest report next week.

Action: Policy Manager to the Commission

Following discussion, the Commission noted the contents of the report.

12. Chief Operating Officer update

The Commission considered a verbal update by Vicki Bibby, Chief Operating Officer.

During the discussion:

- Vicki referenced the recent discussion on the Partnership Working Framework between the Accounts Commission, Audit Scotland and the Auditor General for Scotland – one year on from approval. There have been positive discussions, and the joint board and Commission session will take place today. Jennifer and Andy

produced a summary paper which will be circulated following the meeting, concluding this year's review.

Action: Secretary to the Commission

- Vicki explained the Audit Scotland budget would be discussed with the Scottish Commission for Public Audit next week. Vicki noted that the change to National Insurance contributions is creating pressure, and said a large part of the budget ask is for Audit Modernisation.
- Vicki advised that a new Board member is starting in early new year – details will be communicated in January. A Board apprentice is also being recruited – this is not a formal board member position, but they will take part in discussion.

Following discussion, the Commission noted the update.

13. Controller of Audit's update report

The Commission considered a verbal update by Helena Gray, Controller of Audit, on recent and upcoming activity, which included the following:

- Media interest in the settlement related to two senior officials recently retired from Glasgow City Council. Auditors are aware of this issue and will consider as part of the annual audit. Members highlighted that the Accounts Commission has considered reports on similar issues previously (for example, East Lothian was cited). Members noted that consistency is required in messaging about these cases, although the individual circumstances may be different.
- In relation to Integration Joint Boards (IJBs), Helena is producing a short blog or LinkedIn post containing key messages around the Commission's 2025 reporting.
- Helena had regular catch ups with Ellen Leaver from Scottish Government and Jane O'Donnell at COSLA, which she said were useful to flag key messages arising from Best Value reports.
- In relation to strategic public sector scrutiny co-ordination, Audit Scotland colleagues will meet next week, and Helena will provide an update on this at the January Commission meeting. Solace and Improvement Service transformation leads are very interested in this issue.

Following discussion, the Commission noted the update.

14. Aberdeen City Council – section 102 report

The Commission considered its response to the Controller of Audit's report on a significant fraud case in relation to council tax refunds at Aberdeen City Council. Members agreed to issue findings in response to the report.

During discussion, a number of points were agreed to be included in the findings, including:

- commending the member of staff who identified the fraud;

- the importance of whistleblowing and counter-fraud policies;
- recognition of the quick response by the council but weak internal controls;
- a need for milestones to monitor progress with improvement actions;
- the importance of internal audit work also focusing on what might be perceived as lower-priority areas; and
- the importance of sending a wider message out to all councils.
- It was agreed that alongside the findings, the Chair should write a letter to the Chief Executives of all Scottish councils and other key stakeholders.

Following discussion, the Commission:

- Agreed that drafting of the findings is delegated to the Secretary and Chair of the Accounts Commission.
- Agreed that the findings should be shared with the audit team and Commission members for factual checks, before being published on 9 January 2025.
- Approved the drafting of a letter to all councils' Chief Executives to draw their attention to any findings that are pertinent to all councils.

15. Statutory Performance Information (SPI) Direction: final draft for publication

The Commission considered the final draft of the Statutory Performance Information (SPI) Direction.

During discussion:

- Sarah noted that there had been a positive reception from various stakeholders, including sessions with the Local Government Benchmarking Framework (LGBF) Board and the Scottish Performance Management Forum (SPMF). Sarah said this is a model that can be built on in consultation and engagement regarding the Commission's work programme following March's strategy seminar.
- It was noted that the Commission Support Team intends to draft letters from the Commission Chair to all consultation respondents, and to engage with the Improvement Service and SPMF when developing the guidance that will accompany the Direction.
- Thanks were expressed to Joe Chapman and the working group – including four Commission members, Helena Gray and colleagues in Performance Audit and Best Value – for their work on the SPI Direction.
- Commission members agreed that the Direction is clear in its expectations on councils, and the judgements made within the report.

- Jennifer Henderson suggested that also providing a summary of amendments to those who did not respond to the consultation would be beneficial, to show that the Commission does take feedback on board; Joe confirmed this is the intention.
- Members discussed whether quarterly reporting would be viable. Sarah explained the ways in which such reporting could be a strain on resources. Joe confirmed that the consultation draft made a distinction between public and internal reporting, and that the guidance could set out what is expected.

Following discussion, the Commission:

- Approved the new Direction for publication before the end of December 2024, to be applied with respect to performance information for the year 2025/26 onwards.
- Noted that guidance will be produced to support councils in complying with the Direction.
- Delegated oversight of this guidance to the SPI Direction working group.

16. Any other private business

Jo Armstrong thanked Jack Nixon for his support and wished him well in his new role within PABV.

Jo reminded the Commission that January and February's meetings will be held online, and how well this runs will feed into a wider piece of work to review options for meetings and engagement during 2025.

The Chair, having advised that there was no further business, closed the meeting.

Close of meeting

The meeting closed at 14:30