ACCOUNTS COMMISSION

421st meeting of the Accounts Commission for Scotland

Thursday 12 November 2015, 10.15am
in the offices of Audit Scotland, 102 West Port, Edinburgh

Agenda

1. **Apologies for absence.**

2. **Declarations of interest.**

3. **Decisions on taking business in private:** The Commission will consider whether to take items 12 and 13 in private (* see note).

4. **Minutes of meeting of 8 October 2015.**

5. **Minutes of meeting of Audit Scotland Board of 17 September 2015.**

6. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission on significant recent activity in relation to local government.

7. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.

8. **Shared risk assessment process 2016/17:** The Commission will consider a report by the Director of Performance Audit and Best Value.

9. **Strategic Scrutiny Group: update:** The Commission will consider a report by the Director of Performance Audit and Best Value.

10. **Statutory performance information:** The Commission will consider a report by the Director of Performance Audit and Best Value.

11. **40 years of the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission.

The following items are proposed to be considered in private:

12. **Scottish Tribunals and Administrative Justice Advisory Committee report:** The Commission will consider a report by the Director of Performance Audit and Best Value.

13. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 12 and 13 be considered in private because:

- Item 12 introduces for information a draft report that has yet to be published.
- Item 13 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda Item	**Paper number**
Agenda Item 4: Minutes of meeting of the Commission of 8 October 2015	AC.2015.10.1
Agenda Item 5: Minutes of meeting of the Audit Scotland Board of 17 September 2015	AC.2015.10.2
Agenda Item 6: Report by Secretary to the Commission	AC.2015.10.3
Agenda Item 8: Report by Director of Performance Audit and Best Value	AC.2015.10.4
Agenda Item 9: Report by Director of Performance Audit and Best Value	AC.2015.10.5
Agenda Item 10: Report by Director of Performance Audit and Best Value	AC.2015.10.6
Agenda Item 11: Report by Secretary to the Commission	AC.2015.10.7
Agenda Item 12: Report by Director of Performance Audit and Best Value	AC.2015.10.8

ACCOUNTS COMMISSION

AGENDA ITEM 4
Paper: AC.2015.10.1

MEETING: 12 NOVEMBER 2015

MINUTES OF PREVIOUS MEETING

Minutes of the 420th meeting of the Accounts Commission held in the offices of Audit Scotland at 18 George Street, Edinburgh, on Thursday, 8 October 2015, at 10.15am

PRESENT: Douglas Sinclair (Chair)
Ronnie Hinds (Deputy Chair)
Alan Campbell
Sandy Cumming
Sophie Flemig
Sheila Gunn
Tim McKay
Christine May
Stephen Moore
Graham Sharp
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 [Item 11]
Graeme Greenhill, Senior Manager, PABV [Item 12]
Ronnie Nicol, Assistant Director, PABV [Item 12]
Lindsey Paterson, Director, PricewaterhouseCoopers [Item 12]
Claire Richards, Senior Auditor, PABV [Item 12]
Rebecca Smallwood, Auditor, PABV [Item 14]
Claire Sweeney, Assistant Director, PABV [Item 14]
Mark Taylor, Assistant Director, ASG [Item 10]

Item No	Subject
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 10 September 2015
5.	Minutes of Financial Audit and Assurance Committee of 24 September 2015
6.	Minutes of Performance Audit Committee of 24 September 2015
7.	Minutes of meeting of Audit Scotland Board of 19 August 2015
8.	Update report by the Secretary to the Commission
9.	Update report by the Controller of Audit
10.	Briefing: Scotland Act
11.	Appointment of Auditors to Integration Joint Boards
12.	Audit of Best Value: Moray Council
13.	Audit of Best Value: Moray Council [private]
14.	Performance Audit – draft report: Health and social care integration
15.	Consultation: Delivering Good Governance in Local Government Framework – draft response
16.	Commission business matters

Preamble

The Chair welcomed Sophie Flemig, Sheila Gunn and Geraldine Wooley to their first meeting of the Commission.

1. Apologies for absence

It was noted that that there were no apologies for absence.

2. Declarations of interest

The following declarations of interest were made:

- Alan Campbell, in item 15, as a former member the CIPFA and SOLACE working group that developed the current 'Delivering Good Governance in Local Government Framework'.
- Christine May, in item 15, as Vice-Chair of Fife Cultural Trust

3. Decisions on taking business in private

It was agreed that items 13, 14 and 16 should be taken in private for the following reasons:

- Item 13 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 14 proposes a draft performance audit report, which the Commission is to consider and consult appropriately with stakeholders before publishing.
- Item 16 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

4. Minutes of meeting of 10 September 2015

The minutes of the meeting of 10 September 2015 were submitted and approved.

Arising therefrom, in relation to item 8, the Commission noted advice from the Secretary that he was preparing a briefing paper for members on issues around local business rates schemes in Scotland and elsewhere in the UK.

5. Minutes of Financial Audit and Assurance Committee of 24 September 2015

The minutes of the meeting of 24 September 2015 were submitted and approved.

Arising therefrom, in relation to item 5, the Commission approved the recommendation of the Committee that issues around the handling of complaints and related information feature in any revised scope of Best Value, as part of its review of auditing of Best Value.

6. Minutes of Performance Audit Committee of 24 September 2015

The minutes of the meeting of 24 September 2015 were submitted and approved.

7. Minutes of meeting of Audit Scotland Board, 19 August 2015

The minutes of the meeting of Audit Scotland Board of 19 August 2015 were noted.

8. 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.

During discussion, the Commission agreed, in relation to paragraph 29, that the Director of Performance Audit and Best Value liaise with the Secretary on the implications of the Education (Scotland) Bill on the Commission and Audit Scotland.

Action: Secretary

Thereafter, the Commission agreed to note the report.

9. 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.

10. Briefing: Scotland Act

The Commission considered a report by Mark Taylor, Assistant Director, Audit Services Group, providing an update on key developments surrounding further financial devolution and the strengthening of Audit Scotland's organisational arrangements in this regard.

Following discussion, the Commission:

- Noted that the Assistant Director would keep the Commission updated in this regards.
- Noted the report.

Action: Secretary

11. Appointment of Auditors to Integration Joint Boards

The Commission considered a report by the Assistant Auditor General requesting that the Commission confirm the appointment of external auditors to the Integration Joint Boards (IJBs) that have been created under the Public Bodies (Joint Working) (Scotland) Act 2014.

Following discussion, the Commission agreed:

- To note, in relation to the Appendix, that KMPG are the auditors of Scottish Borders IJB.
- To approve the appointment of the auditors of each relevant council as the auditor of the IJB for that council area for 2015/16.
- That in the case of Stirling and Clackmannanshire councils' IJB, the auditor of Stirling Council be appointed.
- That in the case of those IJBs yet to be formed, the appointment take affect from the date of formation.

Actions: Assistant Auditor General

12. Audit of Best Value: The Moray 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 The Moray 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.

13. Audit of Best Value: The Moray 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 The Moray Council.

Following discussion, the Commission agreed:

- To make findings, to be published on 30 October 2015.
- 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

14. Performance Audit – draft report: Health and social care integration: progress update [*in private*]

The Commission considered a report by the Director of Performance Audit and Best Value seeking approval of and proposing ways of promoting the draft performance audit report *Health and social care integration: progress update.*

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, Stephen Moore and Pauline Weetman.
- To approve the publication and promotion arrangements for the report.

Actions: Director of Performance Audit and Best Value

15. Consultation: Delivering Good Governance in Local Government Framework – draft response

The Commission considered a report by the Secretary proposing a draft response on behalf of the Commission to the CIPFA/SOLACE consultation on the Framework for Delivering Good Governance in Local Government.

Following discussion, the Commission agreed the terms of the draft response subject to incorporating points raised in discussion.

Action: Secretary

16. Commission business matters

There being no further business, the meeting was closed.

AGENDA ITEM 5
Paper: AC.2015.10.2

Minutes of Meeting of **Audit Scotland** held on 17 September 2015 in the offices of Audit Scotland at 110 George Street, Edinburgh

PRESENT:	J Maclean (joined the meeting by conference call) I Leitch (Chair) C Gardner D Sinclair H Logan
APOLOGIES:	None
IN ATTENDANCE:	D McGiffen, Chief Operating Officer R Frith, Assistant Auditor General M Walker, Assistant Director, Corporate Performance and Risk D Hanlon, Corporate Finance F Kordiak, Director of Audit Services A Devlin, Corporate Governance Manager

Item No	Subject
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Accountable Officer's Report
5.	Accounts Commission Chair's Report
6.	Minutes
7.	Minutes of the meeting of Remco dated 19 August 2015
8.	Review of Action Tracker
9.	Budget Proposal 2016/17
10.	Property Update – 102 West Port, Edinburgh
11.	Securing World Class Audit (a) Audit Procurement Strategy (b) Demonstrating Best Value
12.	Draft Information Services Strategy 2015-18
13.	Review of Information Governance Policies
14.	Review of Whistleblowing and Counter Fraud Policies
15.	Anti-Bribery Arrangements Update
16.	Proposed Board Meeting Dates 2016
17.	AOB
18.	Date of next meeting

1. Apologies

There were no apologies.

Ian Leitch advised that he would be chairing the meeting at John Maclean's request, given that John was joining by conference call.

2. Declarations of Interest

Ian Leitch declared his membership of the Scottish Legal Complaints Commission. Heather Logan and Douglas Sinclair declared their membership of the Audit and Advisory Committee of the Scottish Public Services Ombudsman (SPSO).

3. Chair's Report

John Maclean advised that he had postponed a couple of meetings, but would reschedule these. He reported back on a telephone discussion with Paul Grice, Chief Executive of the Scottish Parliament and would complete the board members' assessment by the end of September.

4. Accountable Officer's Report

Caroline Gardner provided an update on her activity since the previous board meeting, including attendance at the Scottish Parliament Public Audit Committee meetings on 2 and 9 September 2015. She advised that the meetings had included a very constructive discussion as the Committee considered its workplan for the coming session in the context of the Scottish Parliament preparing for greater scrutiny of devolved matters. She outlined some new ways of working that would be piloted over the coming months with the Committee.

Caroline advised that the autumn would be a very busy period for colleagues, with the move to 102 Westport, workshops for all colleagues on the progress and next steps on the Building a Better Organisation programme and local authority reports and accounts sign off at the end of September. She advised on a higher than usual number of Section 22 reports emerging, and that the SPCB and Scottish Government audits were on track. She reported on her attendance at the International Ethics Board for Accountants meeting in New York on 12 to 14 September 2015. Finally, Caroline advised that she was hosting the NOCLAR Taskforce Conference in Edinburgh on 1 and 2 October.

Following discussion, the Board thanked Caroline for the update.

5. Accounts Commission Chair's Report

Douglas Sinclair advised the Board on recruitment to the Accounts Commission and confirmed the appointment of three new members: Sophie Flemig, Sheila Gunn and Geraldine Wooley.

He reported on a meeting with Aberdeen Council following their Best Value report, and that the Deputy Chair, Ronnie Hinds had held a meeting with Falkirk council following their Best Value report. He also reported on a meeting with the board of the local government benchmarking service and discussions about how benchmarking information is used to drive performance. He reported on a very useful presentation to the Accounts Commission by Mike Owen, Interim Chief Executive, Bury Metropolitan Borough Council,

and Mike Thomas, Director, Grant Thornton, on developments with the Greater Manchester Combined Authority.

The Board thanked Douglas for the update.

6. Minutes of the meeting dated 19 August 2015

The minutes of the meeting dated 19 August 2015, which had been previously circulated, were agreed as an accurate record.

7. Minutes of the meeting of Remco dated 19 August 2015

The minutes of the meeting of the Remuneration and Human Resources Committee meeting dated 19 August 2015, which had been previously circulated, were agreed as an accurate record.

8. Review of Action Tracker

The board noted the update provided by the Action Tracker, which had been previously circulated.

9. Budget Proposal 2016/17

David Hanlon, Corporate Finance Manager, joined the meeting.

David Hanlon, Corporate Finance Manager, introduced the Budget Proposal 2016/17 report, which had been previously circulated. David provided a summary of the strategic context within which the budget proposal was being prepared and described the options for setting fees for the 2015/16 audit year, including a preferred option. David invited the Board to consider the strategic and operational context for the 2016/17 budget proposal.

Ian Leitch advised that he felt the report was good, and that he had benefitted from attendance at a Management Team meeting in August, when an earlier draft had been discussed and from further discussion with the Chief Operating Officer.

The Board discussed the assumptions in the report and the narrative that should be developed to support the budget proposals. The Board considered the supporting material that would be supplied to the SCPA and agreed that this should be consistent with previous years, subject to any requests from the Secretary to the SCPA.

John Maclean advised that he felt the discussion and consideration of the budget and fee proposals had created a better understanding of the process, although that process may still be difficult to explain externally. He advised that the budget narrative should develop further the demonstration of the value added by effective audit, and not simply focus on the costs and charges.

Following further detailed discussion the Board agreed to:

- Approve the preferred option 1 outlined in the report to freeze fees in cash terms, providing real terms reduction.

- Invite the Chief Operating Officer and Assistant Auditor General to develop the budget narrative further to reflect the value of audit, the cost pressures and their impact and the wider strategic considerations facing Audit Scotland including greater

fiscal devolution, the next procurement round and revisions to the fees and costing models.

Action(s):

- **The Chief Operating Officer and Assistant Auditor General to develop the budget narrative to reflect the value of audit, the cost pressures and their impact and wider strategic considerations facing Audit Scotland to include greater fiscal devolution, the next procurement round and revisions to the fees and costing models. (October 2015)**

10. Property Update – 102 West Port, Edinburgh

David Hanlon introduced the Property Update – 102 West Port, Edinburgh report which had been previously circulated. David invited the Board to note the developments and continued work around planning and preparation for the forthcoming move.

The Board welcomed the report.

David Hanlon, Corporate Finance Manager, left the meeting.

11. Securing World Class Audit

(a) Audit Procurement Strategy – Final Decisions

Russell Frith, Assistant Auditor General, introduced the Audit Procurement Strategy – Final Decisions Report, which had been previously circulated.

Russell invited the Board to discuss the paper, taking account of the further information provided on alternative approaches, and invited the Board to agree the procurement strategy as outlined in section 2 of the report.

The Board discussed the advice that had been provided by Procurement Scotland.

Douglas Sinclair advised that following consideration and discussion of various reports on procurement options, the Accounts Commission was content with the approach detailed in section 2.

Following discussion, the Board agreed that the examination of procurement options had tested the existing approach and alternatives and generated better understanding of the risks and opportunities of various approaches. The Board recognised that the existing approach of inviting bids by sectors had demonstrated its ability to deliver a sustainable, competitive market over a long period of time.

The Board approved that the procurement approach should be to seek bids by sector, and approved the timetable set out in the report.

Action(s):

- **Russell Frith, Assistant Auditor General, to progress the procurement of new audit appointments by seeking bids by sector and to report back to the Board at regular intervals during the exercise. (February 2016)**

(b) **Demonstrating Best Value**

Fiona Kordiak, Director of Audit Services, joined the meeting.

Fiona Kordiak, Director of Audit Services, introduced the report on Demonstrating Best Value, a copy of which had been previously circulated.

Fiona invited the Board to note the information relating to the approach of Audit Services Group (ASG) will take to demonstrate that it represents value for money and welcomed any comments on the proposed approach.

Following discussion, the Board welcomed the report.

Action(s):

- **Fiona Kordiak, Director of Audit Services, to prepare a report for the meeting of the Board in October 2015 to provide information on how the Audit Services group demonstrates best value. (October 2015)**

Fiona Kordiak, Director of Audit Services, left the meeting.

12. Draft Information Services Strategy 2015-18

David Henning, Information Services Manager, joined the meeting.

David Henning, Information Services Manager, introduced the Draft Information Services Strategy 2015-18 report, which had been previously circulated. David invited the Board to consider and comment on the proposed strategy and, subject to approval, the next steps.

The Board discussed the cultural issues involved in making the strategy a success, and sought and received confirmation that the strategy was adequately resourced. In response to questions, David explained how information flows could be managed effectively by using subscription based messaging services, for example, to give colleagues more autonomy over the volume of information they receive.

Caroline advised that she welcomed the balance between resilience and innovation that the strategy achieved. She also invited the Board to recognise the real peak of effort that David and his team were making to progress the West Port building, and the Board registered its appreciation for that work.

John Maclean asked if we knew what the relevant strategy would look like in a firm and whether the investment and approach to information services among firms could be explored during the procurement round. Russell Frith agreed to look in to that. Following discussion, the Board approved the strategy and welcomed the report.

David Henning, Information Services Manager, left the meeting.

In a further discussion, the Board asked the Remuneration Committee to consider succession planning for information services roles and market information on salaries.

13. Review of the Information Governance Policies

Alex Devlin, Corporate Governance Manager, joined the meeting.

Alex Devlin, Corporate Governance Manager, introduced the Review of the Information Governance Policies report, which had been previously circulated.

Alex invited the Board to re-approve the Data Protection, Freedom of Information, Records Management and Information Security policies for a further year.

The Board acknowledged the proposed review to rationalise, consolidate and simplify these policies wherever possible to ensure consistency with the culture of empowering and enabling colleagues to work in a more flexible way.

Following discussion, the Board approved the policies for a further year.

14. Review of the Whistleblowing and Counter Fraud Policies

Alex Devlin, introduced the report on the Review of the Whistleblowing and Counter Fraud Policies, which had been previously circulated.

Alex advised the Audit Committee had agreed to recommend the policies to the Board for re-approval and publication on 19 August 2015.

Following discussion, the Board agreed to approve the policies for publication.

Action(s):

- **Alex Devlin, Corporate Governance Manager, to publish the Whistleblowing and Counter Fraud policies. (September 2015)**

Alex Devlin, Corporate Finance Manager, left the meeting.

15. Anti-Bribery Arrangements

Diane McGiffen, Chief Operating Officer, introduced the report on Anti-Bribery Arrangements, which had been previously circulated. Diane invited the Board to note Audit Scotland's continued compliance with the Bribery Act 2010.

Following discussion, the Board welcomed the assurance reported.

16. Proposed Board Meeting Dates 2016

Diane McGiffen, introduced the report Proposed Board Meeting Dates 2016, which had been previously circulated. Diane invited the Board to consider and approve the revised schedule of meeting dates during 2016.

Following discussion, the Board approved the meeting dates for 2016 as set out in the report.

Action(s):

- **Diane McGiffen, Chief Operating Officer, to publish the schedule of meeting dates for the Board, Audit Committee and Remuneration and Human Resources for 2016. (September 2015)**

17. AOB

There was no further business.

18. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting would be held on **Thursday 29 October 2015** in the offices of Audit Scotland, 102 West Port, Edinburgh.

ACCOUNTS COMMISSION

AGENDA ITEM 6
Paper: AC.2015.10.3

MEETING: 12 NOVEMBER 2015

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.

2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site, which provides more detailed news coverage in certain areas.

3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business

Publications:

4. The Moray Council Best Value Progress report was published on 29 October, evaluating the progress the council has made since its last Best Value audit in 2013. It found that says that although improvements have been made at Moray, much still needs to be done if it is to deliver £16 million of savings by March 2018. There was good print media coverage and the report has been downloaded 512 and the podcast 187 times since publication.

General

5. The Commission along with Audit Scotland and the Auditor General has moved into its new premises at 102 West Port, Edinburgh.

6. The Commission's new website, hosted by Audit Scotland, is launched this week.

Auditor General for Scotland:

7. On 22 October, the Auditor General published the report NHS in Scotland 2015. The report found that fundamental changes and new ways of delivering healthcare are required now to ensure the NHS is able to continue providing high-quality services in the future. The report received extensive coverage across Scottish national and local print media. The report has been downloaded 2,867 times and the podcast has been downloaded 57 times since publication.

Issues affecting local government

Scottish Government:

8. On 16 October the First Minister announced plans to give powers to allow councils to cut business rates. Councils will be able to apply changes to business rates to particular geographical areas or to chosen sectors, through an order laid at Holyrood under the Community Empowerment (Scotland) Act 2015. The order came in effect on 31 October 2015. I will issue a briefing next week ahead of the Commission meeting on this.

9. On 21 October the Scottish Government launched its public consultation on proposals for the future Islands Bill. The consultation closes on 23 December. The consultation asks for views on various issues including:

- more autonomy
- a national Islands Plan
- dedicated councillors for all populated islands
- a legal duty to island-proof legislation
- constituency boundary protection for Na h-Eileanan an lar.

I propose that the Commission need not respond to this consultation, but rather keep a watching brief on its progress.

Scottish Parliament

Parliamentary Committee News

Local Government and Regeneration Committee:

10. The Local Government and Regeneration Committee issued a call for evidence on the Burial and Cremation (Scotland) Bill on 20 October. The closing date for evidence Friday 4 December and the Committee expects to take oral evidence in December 2015 and January 2016. The Health and Sport Committee will be the lead committee on the bill and is considering the general principles at Stage 1, as well as sections 50-55 which related to losses during pregnancy. The Local Government and Regeneration Committee is expected to be designated secondary committee and will consider all other sections of the Bill.

11. At the meeting on 5 October, as part of the draft budget scrutiny 2016-17, the Committee took evidence on issues around local government pension funds and investment in capital infrastructure projects and Inverclyde's role in the Glasgow and Clyde Valley City Deal. Evidence was also given at the Committee's meeting on 28 October by John Swinney MSP, Deputy First Minister and Cabinet Secretary for Finance, Constitution & Economy, Stephen Gallagher, Deputy Director, Directorate for Local Government and Communities, and Head, Local Government and Analytical Services Division, and Bill Stitt, Assistant Team Leader, Local Government Finance and Local Taxation Unit, Scottish Government. The Committee considered the evidence received.

12. Also at the meeting on 5 October the Committee also took evidence as part of the inquiry into arms-length external organisations from Kieron Vango, Chief Executive, David McCorkindale, Head of Leisure and Communities, Councillor Jim Clocherty,

Director, Inverclyde Leisure, Dr Gerry McCarthy, Chair, and Councillor David Wilson, Board member, Riverside Inverclyde.

Public Audit Committee:

13. At its meeting on 7 October the Committee considered a considered the submissions received and its approach to the Section 22 report[1] the 2013/14 audit of Coatbridge College: Governance of severance arrangements. The Committee agreed to seek oral evidence from the Scottish Funding Council; John Doyle, the former Principal; John Gray, the former Chair; Remuneration Committee members; Wylie Bissett, the internal auditors; Henderson Loggie, the external auditors; Derek Banks, the former director of finance; Lorraine Gunn, the former director of HR; Office of the Scottish Charity Regulator (OSCR) and the Cabinet Secretary for Education and Lifelong Learning.

14. On 28 October the Committee took evidence on the 2013/14 audit of Coatbridge College: Governance of severance arrangements from Laurence Howells, Chief Executive, and John Kemp, Director of Access, Skills and Outcome Agreements, Scottish Funding Council. They then took evidence from John Doyle, Principal and Chief Executive and John Gray, Board Chair, Renumeration Chair and the Auditor General for Scotland. The Committee agreed to write to the Scottish Funding Council, New College Lanarkshire, Audit Scotland and John Doyle on issues raised in discussion. The Committee also agree to invite Audit Scotland and Biggart Baillie to give oral evidence.

15. At it meeting on 7 October the Committee considered the Scottish Government's September 2015 Major Capital Projects progress update and took evidence from Alyson Stafford, Director General Finance, Peter Reekie, Deputy Chief Executive and Director of Investments, Scottish Futures Trust, and Sharon Fairweather, Deputy Director, Finance Programme Management, Scottish Government. The Committee also took evidence from the Auditor General for Scotland in private and agreed to write to the Cabinet Secretary for Finance, Constitution and Economy and the Public Accounts Committee at Westminster on issues raised in the discussion.

16. The Committee took evidence on 7 October the Section 23 report Accident and Emergency – performance update from Paul Gray, Director General Health & Social Care and Chief Executive NHS Scotland, John Connaghan, NHS Scotland Chief Operating Officer, Catherine Calderwood, Chief Medical Officer, and Alan Hunter, NHS Scotland Performance Director, Scottish Government.

17. The Committee also took evidence on 7 October the Section 23 report Efficiency of prosecuting criminal cases through the sheriff courts from the Auditor General for Scotland, Angela Cullen, Assistant Director, and Mark Roberts, Senior Manager, Audit Scotland. The Committee agreed to note the report and write to the Scottish Government.

18. The Committee considered its draft report on the Auditor General report the 2012/13 audit of North Glasgow College. The report was agreed and delegated responsibility for publication arrangements to the convenor.

[1] The Auditor General for Scotland (AGS) reports to the Public Audit Committee under Section 22 of the Public Finance and Accountability Act on the accounts of Scotland's public bodies (excluding local government).

Infrastructure and Capital Investment Committee

19. At its meeting on 7 October the Committee took evidence as part of a transport update from Derek Mackay, Minister for Transport and Islands, Aidan Grisewood, Director of Rail, and Michelle Rennie, Director of Major Transport Infrastructure Projects, Scottish Government.

20. The Committee considered and agreed its approach to scrutiny of the proposed private tenancies bill at Stage 1, at its meeting on 7 October.

21. The Committee considered and agree its approach to the scrutiny of the Scottish Government's Draft Budget 2016-17.

Finance Committee

22. At its meeting on 28 October the Committee took evidence at Stage 1 of the Scottish Fiscal Commission Bill from Sean Neill, Acting Deputy Director of Finance, Alison Cumming, Head of Tax Policy, and John St Clair, Senior Principal Legal Officer, Scottish Government.

23. At its meeting on 28 October the Committee also took evidence on the Pre-Budget scrutiny of Scottish Rate of Income Tax from Edward Troup, Second Permanent Secretary, and Sarah Walker, Deputy Director and Head of Devolution Team, HM Revenue and Customs.

24. The Finance Committee has published submissions to its call for evidence on the Land and Buildings Transaction Tax, as part of its scrutiny of the Draft Budget 2016-17, including from Audit Scotland.

25. The Finance Committee has published a letter from Cabinet Secretary for Finance, Constitution & Economy, John Swinney, to the Convener, Kenneth Gibson, on Scotland's Fiscal Framework.

Bills – Progress Updates:

26. The Scottish Fiscal Commission Bill was introduced by the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy on 28 September. The Bill will establish the Scottish Fiscal Commission and provide for its functions. It is currently being considered at Stage 1 by the Finance Committee.

27. The Private Housing (Tenancies) (Scotland) Bill was introduced by the Cabinet Secretary for Social Justice, Communities and Pensioners' Rights on 7 October 2015. The Bill is designed to:

- Achieve a private rented sector that provides good quality homes and high management standards, inspires consumer confidence and encourages growth by attracting increased investment.
- Improve security of tenure for tenants and provide appropriate safeguards for landlords, lenders and investors.
- Provide tenants with protection against excessive rent increases and provide rent predictability, including the ability for Ministers to introduce caps on rent increases for sitting tenants in rent pressure zones.

28. The following Bills have not progressed further since my last report:

- The Footpath Parking and Double Parking (Scotland) Bill is being considered at Stage 1.

- Stage 2 of the Harbours Bill has been completed.

- Consideration of the Criminal Justice (Scotland) Bill at Stage 2 is continuing.

- The Community Justice (Scotland) Bill is being considered at Stage 1 by the Justice and Finance Committees.

- The Education (Scotland) Bill is being considered at Stage 1. As discussed at the last meeting of the Commission, the Director of Performance Audit and Best Value will liaise with me on the implications of this Bill on the Commission and Audit Scotland.

Smith Commission - Updates:

29. At present, the Smith Commission's proposals are currently being considered within the Scottish and UK Parliaments, principally through the Devolution (Further Powers) Committee and Scottish Affairs Committee respectively. An update on the Scotland Act was provided to the last Commission meeting on 8 October.

COSLA, Improvement Service etc:

30. COSLA has agreed to recommend that local authorities consider signing the Household Recycling Charter. The Charter, a joint initiative from the Scottish Government and COSLA Zero Waste Taskforce, is designed to develop more consistent services across the country. This will then make it easier for people to recycle at home, helping to create the large volumes of high quality materials suitable for recycling that can stimulate the emergence of new industries and so create jobs and economic development.

31. On 2 October COSLA confirmed that Scotland's local authorities are able and willing to take at least 2000 Syrian refugees.

32. The Improvement Service has published a series of notebooks providing information and guidance for those sitting on Community Planning Partnership Boards. These have been developed in partnership with CPPs and make reference to the Accounts Commission and Auditor General for Scotland reports on CPPS.

Current activity and news in Scottish local government:

Individual councils:

33. There have been seven by-elections all held on 1 October, since the last meeting of the Commission, as follows:

- George Street/Harbour ward of Aberdeen City Council following the resignation of SNP councillor Andrew May. Michael Hutchison held the seat for the SNP with 51.2% of first preference votes.

- Midstocket / Rosemount ward of Aberdeen City Council following the resignation of Independent Councillor Fraser Forsyth, originally elected as a Conservative, who is moving away. Alex Nicoll gained the seat for the SNP with 40.9% of first preference votes.

- Irvine Valley ward of East Ayrshire Council following the resignation of SNP Councillor Alan Brown, the new MP for Kilmarnock and Loudoun. Elena Whitman held the seat for the SNP with 49.8% of first preference votes.

- Glenrothes West and Kinglassie ward of Fife Council following the resignation of SNP Councillor Peter Grant, the new MP for Glenrothes. Julie Ford held the seat for the SNP with 59% of first preference votes.

- Heldon and Laich ward of Moray Council following the resignation of Independent Councillor Eric McGillivray for family reasons. Dennis Slater gained the seat as a new Independent with 41.1% of the first preference vote.

- Stirling East ward of Stirling Council following the resignation of SNP Councillor Steven Paterson, the new MP for Stirling. Gerry McLaughlan held the seat for the SNP with 45.2% of the first preference vote.

- Linlithgow ward of West Lothian Council following the resignation of SNP Councillor Martyn Day, the new MP for Linlithgow and Falkirk East. David Tait held the seat for the SNP with 43.1% of the first preference vote.

34. North Lanarkshire Council has outlined proposals to cut 1,095 full time posts in order to save £68.3m over the next two financial years. The council is looking to consult with the public on savings across November and December.

35. Edinburgh Council has called for end to the council tax freeze in order to help relieve pressure on cuts that need to be made. Council leaders have calculated that council tax would have to rise by 3 per cent a year from April 2017 to avoid even steeper cuts than planned to public services.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO):

36. The October newsletter SPSO News – October summarises September 2015 case numbers, outlines investigations reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed Investigations and decision reports, is available on the Our findings webpage. More detailed intelligence from the SPSO is considered on a six-monthly basis by the Financial Audit and Assurance Committee.

Commissioner for Ethical Standards in Public Life in Scotland:

37. Since the previous meeting of the Commission, seven decisions on complaints relating to councillors were published by the Commissioner. The Commissioner decided Councillor John Muir at West Lothian Council, Councillor Catherine McClymont at South Lanarkshire Council, Councillor Baillie Elizabeth Cameron at Glasgow City Council, Councillor Douglas Ross at Moray Council, Councillor Wendy Agnew at Aberdeenshire Council, Councillor James McCabe at North Lanarkshire Council and Councillor Vincent Waters at East Renfrewshire Council did not contravene the Councillors' Code of Conduct.

Standards Commission for Scotland:

38. On 3 November I attended an event for Standards Officers organised by the Standards Commission reviewing progress with the 2014 Codes of Conduct for councillors and for members of public bodies. Some participants shared their experience of issues

arising from the differences in approaches taken by different council and health board members of integrated joint boards. Issues were also raised around the familiarity of the members of new regionalised college boards of their responsibilities in relation to the code. The Commission undertook to share their learning from the event, including a proposal to develop more accessible training resources for councillors and public body members.

HMICS

39. Scotland's Inspector of Constabulary Derek Penman has recently called for more officers in Edinburgh following a review of Police Scotland's Edinburgh Division. He has called on the national force to review the national force to review the balance between local policing and specialist functions in the capital.

Care Inspectorate:

40. The Care Inspectorate and Healthcare Improvement Scotland have launched a consultation the draft human rights and wellbeing principles that underpin the development of new National Care Standards for health and social care services in Scotland. The consultation will run until the 10 December with the draft principles will be finalised and rolled out from April 2016.

Other UK Audit Bodies

National Audit Office:

41. The National Audit Office has published PAC memorandum: Planning and delivery of the 2014–2019 rail investment programme.

42. The National Audit Office has recently published additional impacts case studies looking at examples of where there has been beneficial change. This includes a report on managing reductions in local authority government funding.

Public Accounts Committee

43. The Public Accounts Committee has published a report calling for a new focus on failures in the benefits and tax credit systems. The report found that despite some progress, both the HMRC and DWP still overpaid claimants by £4.6 billion because of fraud and error and underpaid claimants by £1.6 billion.

Wales Audit Office

44. On 15 October Wales Audit Office published a report Supporting the Independence of Older People: Are Councils Doing Enough?. The Auditor General for Wales concluded that whilst the Welsh public sector recognises the challenges of an ageing population, some key barriers are inhibiting the shift in focus that is needed to reduce demand for health and social care services and support older people to live independently.

Conclusion

45. The Commission is invited to consider and note this report.

Paul Reilly
Secretary to the Accounts Commission
4 November 2015

ACCOUNTS COMMISSION

AGENDA ITEM 8
Paper: AC.2015.10.4

MEETING: 12 NOVEMBER 2015

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

SHARED RISK ASSESSMENT 2016/17

Purpose

1. The purpose of this report is to inform the Accounts Commission of the proposed approach to, and timetable for, the 2016/17 Shared Risk Assessment (SRA) process. This is an annual report which is complemented each year by a further report for the Commission setting out the outcomes of the SRA process once it has concluded.

2. The report sets out how the SRA has been refocused this year to give greater prominence to the Accounts Commission's interest in the pace and depth of improvement within Scotland's 32 local authorities.

Background

3. Following the publication of the Crerar report in September 2007, the Scottish Government stated its aim of establishing a simplified and more coherent approach to delivering local government scrutiny. A key aspect of that agenda was to better coordinate and streamline scrutiny, while ensuring that its benefits for citizens (eg strengthened accountability and improved public services) are achieved.

4. In March 2008, the Accounts Commission was asked by the Scottish Government to take on a gate-keeping and coordination role for the scrutiny of local government. The local government Strategic Scrutiny Group (SSG) was subsequently established to set priorities and oversee development activity linked to this new role. The SSG consisted of the following members at that time: Accounts Commission (chair), Audit Scotland, Care Commission, Her Majesty's Inspectorate of Education, Her Majesty's Inspectorate of Constabulary for Scotland, the Scottish Housing Regulator, NHS Quality Improvement Scotland, and Social Work Inspection Agency. The Convention of Scottish Local Authorities (COSLA), the Scottish Government, and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) were, and remain, observers on the group.

5. The membership of the group has evolved over time to reflect structural changes in the scrutiny landscape (eg the creation of Education Scotland, Care Inspectorate, and Healthcare Improvement Scotland) and the group's increasingly strong interest in public service reform which extends beyond local government and affects all parts of the public sector. This latter development has led to the group's membership being extended to include Scottish Government policy staff covering health and social care integration and improvement activity in the NHS, and more recently Her Majesty's Inspector of Prisons and Her Majesty's Chief Inspector of Prosecutions in Scotland (IPS).

6. The SSG established an operational group which prepared a joint code of practice for local government scrutiny. That document set out how the various bodies would work together to support more proportionate and streamlined scrutiny of local government (http://www.audit-scotland.gov.uk/docs/best_value/as_100110_scrutiny_joint_code_practice.pdf).

7. During 2009, the SSG successfully oversaw the introduction of the SRA process (based on a single corporate assessment framework). Since then, the SSG has had responsibility for overseeing the SRA process, which is the annual process through which the main local government scrutiny bodies work together to agree risk-based and proportionate scrutiny plans for Scotland's 32 local authorities.

8. The process is managed locally by 32 local area networks (LANs). Each LAN is made up of representatives of each of the main local government scrutiny bodies (Audit Scotland and firms appointed auditors, Care Inspectorate, Education Scotland and Scottish Housing Regulator). The LAN meets and shares relevant risk, audit and inspection and performance intelligence, which is then used to determine a proportionate and risk-based scrutiny programme for the council. The majority of LANs (26) are led by Audit Scotland (20 by Audit Services Group (ASG) appointed auditors and six by Performance Audit and Best Value (PABV) Assistant Directors. The remaining six LANs are led by senior staff from Education Scotland or the Care Inspectorate. Four LANs are led by Education Scotland and two by the Care Inspectorate.

9. As well as promoting proportionate and risk-based scrutiny activity the SRA also promotes effective coordination and scheduling of scrutiny activity, including 'joined-up' audit and inspection where appropriate. It is the main vehicle for targeting local government Best Value audit activity on behalf of the Accounts Commission.

10. Given the successful operation of the SSG since 2008, the Cabinet Secretary for Finance and Sustainable Growth wrote to the Accounts Commission in March 2011 confirming that he would like the coordination and facilitation of local government scrutiny activity to become one of the accepted functions of the Accounts Commission. He subsequently wrote to the other scrutiny bodies involved in the SSG confirming this change and highlighting that this way of working is a means of demonstrating compliance with the duty of cooperation contained in section 114 of the Public Service Reform (Scotland) Act 2010.

Refinements to the SRA process that were introduced in 2015

11. We took a number of steps last year to improve the efficiency and effectiveness of the SRA process. These included:
    - Establishing more regular planning meetings between senior officers within Audit Scotland, the Care Inspectorate, Education Scotland, the Scottish Housing Regulator, Healthcare Improvement Scotland, HMICS and HMFSI to enhance the central planning and scheduling of nationally-directed scrutiny activity.
    - Ensuring LANs interact with councils in a more consistent manner throughout the SRA process.
    - Streamlining the documentation produced to support local scrutiny plans to allow LANs to focus on the most significant risk areas, particularly the capacity (politically and managerially) of the council to lead and deliver improvement.
    - Replacing the Assurance and Improvement Plans (AIPs), which are the main output from the SRA process, with shorter and more focused Local Scrutiny Plans (LSPs) which provide a clearer focus on the risk profile of the council and the local scrutiny that is planned in response to it.
    - Aligning the overall approach to the SRA process with the Accounts Commission's evolving thinking about the new approach to delivering the local government Best Value audit.

12. These improvements strengthened the assurance that the SRA process was able to offer to the Accounts Commission on the extent which LANs are focusing their scrutiny efforts on keys areas of scrutiny risk (leadership, governance, delivery of improved

outcomes for local people). This was reflected in the April 2015 report for the Commission that set out the proposed Best Value audit work arising from the 2015/16 SRA process and the extensive range of oversight and ongoing monitoring activity planned by LANs during 2015/16: http://www.audit-scotland.gov.uk/about/docs/ac_150416_papers.pdf

13. As part of our commitment to continuous improvement, we review the SRA process each year. We look to learn lessons from the previous year, as well as reflecting on how the SRA has operated over all previous cycles since 2008. We also take account of changes to the scrutiny landscape, feedback from local authorities on their experience of the process, and feedback from LAN leads on things that could work better.

14. Our conclusions from reviewing last year's SRA process were that:
    - Councils continue, in the main, to value the SRA process as a means of engaging with scrutiny bodies and for coordinating and scheduling scrutiny activity.
    - The introduction of LSPs in 2015/16 to replace AIPs was seen as a positive step in making the SRA process more proportionate.
    - The reduction in the paperwork for the 2015/16 SRA process allowed LANs to direct more effort towards engaging with councils around issues of risk.
    - Due to the streamlined process and shorter reporting, LSPs and the National Scrutiny plan were published well ahead of previous years and before the start of the financial year.

Key areas of focus for this year's SRA process

15. Due to the positive feedback on changes to last year's SRA process, little in the way of change is proposed for 2016/17. The changes proposed relate to the emphasis of key issues that LANs are expected to consider and, where appropriate, report on their risk assessments. They are in line with the Commission's strategy and are:
    - **Council's approaches to addressing future funding challenges**

      LANs are asked to form a clear judgement about how proactive the council has been in developing a corporate service redesign and improvement programme that will enable it to respond to changing demands for services in the context of reduced funding levels. In making this judgement, LANs should:
        - consider how effectively the process of service redesign and improvement is being led
        - review progress that has been made to date in delivering budget reductions
        - consider the council's pace and depth of improvement in relation to services and outcomes
        - highlight any significant risks associated with the implementation of sustainable service delivery arrangements.
    - **The implementation of health and social care integration**

      This is one of the most significant issues currently being faced by councils and their NHS partners, therefore LANs need to be clear on the progress being made locally in implementing this significant change programme.
    - **Local progress in improving community planning and preparing for implementation of the Community Empowerment Act**

      All councils and CPP partners have been strengthening their approach to community planning following publication in 2012 of the Scottish Government/COSLA Statement of Ambition for community planning. The enactment of the Community Empowerment Act earlier this year places

community planning on a new statutory footing and introduces new powers for communities and community groups to get involved in planning to improve or running local public services.
LANs are expected to discuss with the council how they and their partners anticipate responding to this important piece of new legislation.

16. To support a more consistent approach to making scrutiny risk assessments, we have provided LANs with updated guidance and risk assessment templates to support the process this year. Copies of the SRA Guidance 2016/17 is attached at Appendix 1. The evidence template used by LAN members to inform the local risk assessment process are attached to this report is attached at Appendix 2.

17. Cross-cutting themes that run through each key service assessment are:
    - The quality of service leadership (political and managerial).
    - The effectiveness of elected member scrutiny and challenge.
    - The extent to which the council is able to demonstrate that it is continuously improving services and achieving improved outcomes for local people.

18. To reinforce the importance of effective engagement with councils, the SRA guidance once again outlines minimum standards of engagement between LAN leads and councils at each stage of the SRA process. This includes:

    - an initial set-up discussion with the chief executive (or his/her nominee)
    - feedback to the chief executive on emerging issues after the LAN has held its local 'round table' meeting
    - feedback to the chief executive after any national quality and consistency review
    - a discussion on the draft Local Scrutiny Plan with the chief executive (or nominee).

19. Many LANs go well beyond this minimum level of engagement through, for example, regular meetings with the council CMT to discuss:

    - how the council is planning to address the strategic challenges facing the area
    - how the council and its partners are working together to implement key aspects of public service reform (eg community planning, health and social care integration, the Community Empowerment Act)
    - the outcomes of significant pieces of external audit and inspection
    - performance trends and areas where further improvement is required**.**

Conclusion

20. The Commission is invited to:

    i. consider this report

    ii. endorse the approach to, and timetable for, the 2016/17 shared risk assessment (SRA) process

    iii. note that a report on the outcomes of this year's SRA process will be brought to the Commission in spring/summer 2016.

Fraser McKinlay
Director of Performance Audit and Best Value
4 November 2015

Appendix 1: Shared Risk Assessment 2016/17

Guidance

Audit Scotland

Education Scotland
Foghlam Alba

Scottish Housing Regulator

care inspectorate

HMICS
HM Inspectorate of Constabulary for Scotland

Her Majesty's Fire Service Inspectorate

September 2015

Contents

SRA process

Purpose

1. The purpose of the Shared Risk Assessment (SRA) process is to enable local government scrutiny bodies to work together to draw up proportionate and risk-based scrutiny programmes for Scotland's 32 local authorities.

2. The SRA process results in a Local Scrutiny Plan (LSP) for each council, setting out scrutiny risks and the proposed scrutiny responses over the coming year. Planned scrutiny activity across all 32 councils is then subsequently collated in an annual National Scrutiny Plan.

3. The SRA process is carried out in each council by the Local Area Network (LAN). The LAN comprises representatives of all the main scrutiny bodies that engage with councils. The role of the LAN is to ensure that information and intelligence held by each audit and inspectorate body is shared, enabling external scrutiny to be coordinated and targeted on the areas of greatest risk.

Review of the SRA process in 2015

4. As part of our commitment to continuous improvement, we review the SRA process each year. We look to learn lessons from the previous year, as well as reflecting on how the SRA has operated over all previous cycles since 2008. We also take account of changes to the scrutiny landscape, feedback from local authorities on their experience of the process, and feedback from LAN leads on things that could work better. The Local Government Scrutiny Coordination Strategic Group (the "Strategic Scrutiny Group")[1] is asked to approve any significant changes to the SRA process.

5. Our conclusions from reviewing the 2015/16 SRA include:
    - Councils continue, in the main, to value the SRA process as a means of engaging with scrutiny bodies and for coordinating and scheduling scrutiny activity.
    - The introduction of LSPs in 2015/16 to replace AIPs was seen as a positive step change in making the SRA process more proportionate.
    - The reduction in the paperwork for the 2015/16 SRA process allowed LANs to direct more effort towards engaging with councils around issues of risk.
    - Due to the streamlined process and shorter reporting, LSPs and the National Scrutiny plan were published well ahead of previous years and before the start of the financial year.

[1] The local government scrutiny coordination strategic group was established in 2008 and involves the main scrutiny bodies for local government (Audit Scotland, Education Scotland, Care Inspectorate, The Scottish Housing Regulator, Her Majesty's Inspectorate of Constabulary, Her Majesty's Fire Service Inspectorate and NHS QIS) along with the Scottish Government, COSLA and SOLACE. The group strives to: streamline scrutiny; improve the planning and scheduling of scrutiny activity; and implement a shared risk assessment framework to drive scrutiny activity.

Changes for 2016/17

6. Due to the positive feedback on changes to the SRA process in 2015/16, little in the way of change is proposed for 2016/17. The changes proposed relate to the emphasis of key issues that LANs are expected to consider and, where appropriate, report on in their risk assessments. These are:

   - Council's approaches to addressing future funding challenges. LANs are asked to form a clear judgement about how proactive the council has been in developing a corporate service redesign and improvement programme that will enable it to respond to changing demands for services in the context of reduced funding levels. In making this judgement, LANs should: consider how effectively the process is being led, review progress that has been made to date in delivering budget reductions, and highlight any significant risks associated with the implementation of sustainable service delivery arrangements. LANs should also consider the council's track record and pace of change in delivering improvements in services and outcomes.
   - The implementation of health and social care integration. This is one of the most significant issues currently being faced by councils and their NHS partners, therefore LANs need to be clear on the progress being made locally in implementing this significant change programme. Audit Scotland is currently preparing a national position statement that identifies the progress made by councils and their NHS partners in establishing local integration joint boards (IJBs) and preparing integration plans. The report will set out the current position and future challenges and risks that IJBs face in implementing integrated services. The report from this audit work is due for publication in December 2015. LANs will be able to draw on the evidence underpinning this work when preparing their local risk assessments.
   - Local progress in improving community planning and preparing for implementation of the Community Empowerment Act. All councils and CPP partners have been strengthening their approach to community planning following publication in 2012 of the Scottish Government/COSLA Statement of Ambition for community planning. The enactment of the Community Empowerment Act earlier this year places community planning on a new statutory footing and introduces new powers for communities and community groups to get involved in planning to improve or running local public services. LANs should discuss with the council how they and their partners anticipate responding to this important piece of new legislation.

Planning and scheduling of scrutiny activity

7. Since 2014, the planning, scheduling and co-ordination of scrutiny activity has been strengthened through regular meetings of relevant senior officers from scrutiny bodies (referred to as "planners and schedulers"). This process allows us to be more proactive in sharing information about our respective national work programmes during their early stages and as they get finalised. That information is shared with LANs prior to their initial Round Table meetings and updates are provided at key stages in the SRA process.

Local Area Networks (LANs)

Roles and responsibilities

8. LANs comprise of representatives of all relevant scrutiny bodies for local government. Each LAN has a nominated LAN lead. The roles and responsibilities of LAN leads and LAN members are shown in Appendix 1.

9. The success of the SRA process requires all LAN members to play an active role in collating all relevant information and intelligence from their own organisations as evidence to support risk assessments and in attending LAN meetings. It has been agreed with HMICS and HMFSI that their LAN representatives will not attend LAN meetings, due to their limited role in local government and their organisational capacity. HMICS and HMFSI will liaise with scrutiny partners through planners and schedulers meetings and any information arising from this will be shared with LANs as appropriate.

LAN meetings

10. At LAN meetings, LAN members meet to discuss the collated evidence in the risk assessment template. The aim of this meeting is to:
    - discuss the evidence sources/information provided by each scrutiny body
    - agree the risk assessment for each relevant area
    - identify opportunities for joint scrutiny work
    - firm up the local scrutiny plan for 2016/17
    - highlight any additional work that is planned for 2017/18 or beyond
    - highlight national scrutiny activity within the council that is not a result of the SRA process
    - highlight improvement activity (e.g. supported self-evaluation) happening in the council.

Council engagement

11. LAN engagement with councils is fundamental to the success of the SRA process. Council engagement has two main aims:
    - to keep councils advised of the LAN's findings / risk assessments as the SRA process progresses; and
    - to gather relevant information and evidence from the council, particularly where the LAN feels there is insufficient evidence to make a risk assessment in any area.

12. It is expected that LANs engage with chief executives (or their nominated representative) at the start of the SRA process, from October onwards. Initial discussions between LANs and councils should include:
    - the key issues and challenges faced by the council
    - what has changed since the previous SRA process
    - how self-evaluation drives improvement and what self-evaluation information is available
    - how the council wish to be engaged, including; the frequency of engagement, and who should be involved (e.g. chief executive, management team, elected members).
13. The minimum level of council engagement expected as part of the SRA process is:
    - initial set-up discussion with chief executive (or their nominated representative)
    - feedback to chief executive after LAN meeting to discuss risk assessment
    - discussion with chief executive on draft local scrutiny plan
14. There is an expectation that where appropriate, relevant LAN members attend client and committee meetings to discuss their own organisation's activity included in the council's local scrutiny plan
15. The risk assessment/evidence templates should be treated as the LAN's working papers, and there is no need to share them with councils. Rather, discussions should focus on the LAN's overall assessment of the council's risk profile and what that means for the content of the Local Scrutiny Plan.
16. It should be made clear to the council in any ongoing discussions that the planned scrutiny work will not be final until after the Strategic Scrutiny Group approves the National Scrutiny Plan in March 2016.

Quality assurance

17. The SRA process incorporates a quality assurance process to ensure that risk assessments are robust and that proposed scrutiny is proportionate. This includes scrutiny planners and schedulers from Audit Scotland, Care Inspectorate, Education Scotland and Scottish Housing Regulator carrying out a central review all 32 draft risk assessment templates and local scrutiny plans, to assess whether:
    - risk assessments are reasonable given the available evidence and other information
    - proposed audit and scrutiny responses are reasonable and proportionate to identified risks
    - judgements about the level and nature of risks and the planned scrutiny responses are consistent across LANs
    - all 'national' activity and any supported self-evaluation work is included in the plan
    - opportunities for collaborative work are being identified.
18. Any issues arising from the quality assurance review will be fed back to relevant LAN leads before the local scrutiny plan is finalised.

SRA Outputs

Risk assessments

19. A risk assessment template for each council is provided in Appendix 2.

20. The template for this year's SRA process remains largely unchanged from least year. It continues to focus on the key areas of audit, inspection and regulatory interest of the various organisations that participate in the SRA process. The changes made this year are to the emphasis of certain aspects of assessment areas to better reflect the current challenges for council and the environment in which they are working.

21. To support robust, evidence-based risk assessments, LAN members should:

- review the existing LSP and scrutiny plan for their council (available on the Audit Scotland website)
- gather and analyse new evidence (i.e. more up-to-date performance information, scrutiny reports and intelligence)
- identify any planned work within their organisation that may affect the council[2]
- identify any supported self-evaluation work planned in the council
- complete and submit the evidence template to the LAN lead. Individual contributions should summarise new and updated evidence and identify whether scrutiny work is required.

Evidence

22. Our expectation is that LAN members will draw upon the most relevant data for their specific areas of expertise. This includes all data held within their own organisations as well as other external information sources, such as the local authority benchmarking framework.

23. The SRA process provides an opportunity for the LAN to consider evidence about the effectiveness of each council's self-evaluation activity in supporting and driving improvement. LANs should seek self-evaluation information from councils before the LAN meeting so that it can be fully integrated into the evidence being considered in making risk assessments. The format and type of evidence submitted is at the discretion of the council and is dependent on their approach to self-evaluation in terms of what they currently produce for internal scrutiny and challenge. Council's should not be asked to produce any bespoke information for the SRA process, but to rely on their existing documents. It should be emphasised to the council that the LAN itself will not undertake an analysis of data on behalf of the council but will consider any summary or overview self-evaluation material that they produce.

[2] This is activity which will be undertaken in one or more councils throughout the year that is not planned as a result of the shared risk assessment, for example, work requested by ministers. It does not include unit level activity, such as school inspections.

24. The LAN lead will integrate all the individual evidence templates from LAN members into one document. This should be shared with LAN members in advance of the LAN meeting to aid discussion. It is important that LAN members are fully signed up to the risk assessments being made.

25. When assessing risk, LANs should arrive at one of the following three judgements:

Risk assessment judgements

No additional scrutiny required beyond statutory / ongoing work[3]

LANs will use this assessment where they have no significant concerns about any aspect of performance and as a consequence no scrutiny work is necessary. The main circumstances in which this assessment would be appropriate include:

- where performance is satisfactory and/or improving
- where the council has demonstrated a good awareness of issues and has robust plans in place to mitigate the risk
- when a scrutiny response is not the most appropriate means by which to secure the necessary improvement.

Ongoing oversight and monitoring required

The circumstances where ongoing oversight and monitoring may be required include:

- identified risks are being managed and/or mitigated by the council
- additional scrutiny activity is unlikely to add value in supporting improvement
- identified risks are not significant enough to justify scrutiny at present

Scrutiny required

The types of circumstances which result in scrutiny being required may include:

- performance is poor, declining or not improving
- service levels or outcomes are unacceptable
- improvement is not on track to achieve a target
- locally agreed priorities do not reflect evident need
- there are concerns about the sustainability of current performance or the achievement of improvements
- processes to support continuous improvement are not well established or are ineffective.

[3] This refers to annual audit work, school inspections, care home inspections, etc.

Local scrutiny plans

26. LAN leads should use the finalised risk assessment template to draft the local scrutiny plan for the council. The local scrutiny plan should only summarise identified scrutiny risks and/or any changes to the LAN's assessment over the last year. It should also make clear where there is any 'national' scrutiny or supported self-evaluation activity that is not the result of the SRA process.

27. A template for the local scrutiny plan is provided separately.

National scrutiny plan

28. The 32 local scrutiny plans for 2016/17 will be collected centrally within Audit Scotland, and consolidated into a draft National Scrutiny Plan. Scrutiny planners and schedulers from across the scrutiny bodies will consider the draft national plan to ensure:
    - all national work is identified and reflected
    - all supported self-evaluation work is identified and reflected
    - the timing of activity is smoothed to avoid any possible clustering each body has the capacity to deliver the plans
    - national issues are identified and the potential for addressing them through thematic work is explored
    - all opportunities for collaborative work are explored

29. The National Scrutiny Plan is being broadened for 2016/17 to include all relevant work. In particular, it will include national performance audits, which have not featured in previous years. The National Scrutiny Plan will be referred to the Local Government Scrutiny Coordination Strategic Group for discussion and agreement. It should be made clear to the council that any discussion on the planned scrutiny work in 2016/17 and indications further years will not be final until after this national discussion.

Publication

30. The National Scrutiny Plan 2016/17 and the 32 individual local scrutiny plans will be published on the Audit Scotland website in March 2016.

31. Completed risk assessment templates are not published, although they are a valuable part of the process, providing the evidence trail for our decisions and for quality assurance. In the interests of an efficient and effective process there is no need for these to be shared with, and effectively 'signed off' by the council. The templates could however be subject to Freedom of Information requests and should be prepared with this in mind.

Timetable

32. An overview of key milestones in the SRA process for 2015/16 is as follows:

DATE	ACTIVITY
From October 2015	LANs start engagement with councils on SRA process
November 2015 to January 2016	• LAN members gather and analyse evidence for their council and complete the evidence template • LAN members submit the evidence template to their LAN lead • LAN leads collate the evidence from their LAN members into one document, for discussion at the LAN meeting • LAN meetings take place
January 2016	All LAN leads meet discuss progress and common issues
12 February 2016	**LAN leads submit draft local scrutiny plans to Audit Scotland** *(Audit Scotland review all 32 local plans and start drafting National Scrutiny Plan)*
February 2016	Quality assurance of annual scrutiny plans
	Planners and schedulers meet to update on any nationally directed scrutiny activity
March 2016	Strategic scrutiny group agrees draft National Scrutiny Plan
	32 annual scrutiny plans and National Scrutiny Plan published

Appendix 1: LAN responsibilities

LAN leads

33. LAN leads are expected to provide effective leadership to the SRA process by:

- Ensuring high quality on-going engagement with the council
- Chairing LAN meetings and facilitating regular discussion between LAN members during the year
- Working with LAN members to ensure collective ownership of the risk assessments and scrutiny responses.
    - circulate the guidance and risk assessment template to LAN members
    - keep LAN members informed of engagement with the council, other related discussions, changes, draft updates etc.
    - provide support to LAN members to enable them to fulfil their responsibilities
    - promoting innovative and collaborative scrutiny responses (where appropriate).
- Ensuring that identified scrutiny risks are supported with evidence, and that scrutiny plans contain locally appropriate, proportionate and risk-based scrutiny responses.

LAN members

34. LAN members are expected to:

- Review all relevant evidence/information that their organisation holds.
- Identify any scrutiny work currently planned by their organisation in the council in the three years of the scrutiny plan timeframe (for example, national or thematic work, inspection activity requested by ministers, follow-up work and supported self-evaluation activity).
- Supply evidence in advance of LAN meetings to support risk assessments and judgements on whether scrutiny work is required.
- Keep LAN leads up-to-date with relevant changes within councils and their own organisations
- Advise LAN leads of any issues arising from ongoing engagement with the council e.g. through area lead officer engagement, link officer engagement, appointed auditor engagement, etc.
- Participate in council engagement as required

Appendix 2: Evidence template

The evidence template has been designed as a guide to support LANs in making their risk assessments. It is divided into the broad risk assessment areas of interest across the corporate assessment framework and key service areas.

Risk assessment area and criteria	Risk assessment
Leadership and governance The risk assessment should consider the quality of political and managerial leadership of the council, whether governance arrangements are working effectively, and good governance and risk management underpins council decision-making. Consideration should be given to the extent to which the council can demonstrate that it has a culture that promotes continuous improvement and that elected members are setting stretching improvement targets and holding officers to account effectively for their performance. The LAN should consider whether Annual Audit/Best Value/S102 reports/Care Inspectorate link inspector reports, SHR engagement or inspection work, or Education Scotland area lead officer reports identify any areas of concern in the following areas: • elected members are setting clear, stretching goals for the council and its services • the CMT is working well together to provide effective corporate leadership • there is sufficient leadership capacity within the organisation to support change and improvement (drawing on individual assessment of the quality of education, social work, and housing leadership, alongside the annual audit corporate overview) • the quality and effectiveness of local partnership working • the council is working effectively towards delivering local outcomes through appropriate plans and strategies	The risk assessment should be one of the following, along with clear evidence to support assessment: • **No additional scrutiny required beyond statutory / on-going work** • **On-going oversight and monitoring required** • **Scrutiny required (and type)**

Risk assessment area and criteria	Risk assessment
• the council has identified and is managing risks to the delivery of its strategies • management and governance processes are open and transparent • there are productive relationships among senior officials and members • proper officers (e.g. S102, S95, Chief Education Officer, Chief Social Work officer) have sufficient authority and status to exercise their roles effectively • the clarity of the council's improvement agenda • the pace of improvement in service delivery and the achievement of improved outcomes In particular, for 2016/17 LANs should be making clear judgements about the effectiveness of leadership in: • Addressing future funding challenges. This will include a judgement of how proactive the council has been in developing a corporate service improvement and redesign programme to address changing demands on services and to deliver the necessary savings. The judgement should also consider how effectively delivery of this programme is being led. • Implementing health and social care integration. LANs can draw heavily on the position statement that Audit Scotland is due to publish in December 2015. • Setting clear and challenging improvement targets for the council and its services	

Risk assessment area and criteria	Risk assessment
Resource planning and management The risk assessment should consider how effectively the council is planning and managing its resources to deliver local outcomes. As above, LANs should form a judgement around whether there is a clear corporate strategy/service transformation programme for addressing the funding gap and the council's progress in implementing this. Consideration should also be given to whether Annual Audit/Best Value/S102 reports/Care Inspectorate link inspector reports or Education Scotland area lead officer reports identify any areas of concern in the following areas: • whether the audit opinion on the accounts is unqualified • how well it is planning, managing and delivering its budgets • whether the council has a clear strategy for managing its school estate that reflects predicted population changes and existing PFI/PPP commitments • whether the council and its key partners has a clear strategy for redesigning health and social care services to meet predicted demand and capacity pressures caused by demographic change • whether the council has a clear strategy for managing and improving its housing stock (where this service has not been externalised) • whether any concerns about financial sustainability have been identified • the effectiveness of workforce planning and management arrangements and how well they integrate with other strategies and financial plans • whether asset management strategies/plans are clearly linked to the financial management plan and the council's strategic direction • how effectively corporate procurement contributes to maximising value for money	The risk assessment should be one of the following, along with clear evidence to support assessment: • **No additional scrutiny required beyond statutory / on-going work** • **On-going oversight and monitoring required** • **Scrutiny required (and type)**

Risk assessment area and criteria	Risk assessment
Performance management and improvement The risk assessment should consider the effectiveness with which the council is managing its performance and its arrangements for continuing to deliver high quality services with reducing resources and growing service demand (linked to judgements above). Consideration should be given to whether Annual Audit/Best Value/S102 reports/Care Inspectorate link inspector reports or Education Scotland area lead officer reports identify any areas of concern in the following areas: • how the council uses performance trends in service outcomes and comparison with others through local government benchmarking data • whether arrangements for continuous improvement (service review and self-evaluation) deliver change effectively • there is effective scrutiny and challenge of performance • how the council is fulfilling its duty for public performance reporting (annual report on this produced by Audit Scotland)	The risk assessment should be one of the following, along with clear evidence to support assessment: • **No additional scrutiny required beyond statutory / on-going work** • **On-going oversight and monitoring required** • **Scrutiny required (and type)**
Education and children's services The risk assessment should consider the quality of local education services and the resulting outcomes, focusing on any scrutiny risks in relation to: • outcomes from establishment / service inspections • arrangements for and effectiveness in improving: attendance and reducing exclusions; learner attainment and achievement; and positive destinations • approaches and effectiveness to Getting it Right for Every Child (GIRFEC) and Curriculum for Excellence Consideration should also be given to: • the quality of leadership (political and managerial) of the council's education service -	The risk assessment should be one of the following, along with clear evidence to support assessment: • **No additional scrutiny required beyond statutory / on-going work** • **On-going oversight and monitoring required** • **Scrutiny required (and type)**

Risk assessment area and criteria	Risk assessment
those judgements should be used to inform the broader leadership and governance assessment earlier in the template • the effectiveness of elected member scrutiny and challenge of education performance - those judgements should be used to inform the broader performance management and improvement (including scrutiny) assessment earlier in the template • the quality and effectiveness of self evaluation activity within the education department – those judgements should be used to inform the broader performance management and improvement assessment earlier in the template • the extent to which the performance and outcome data demonstrates that the education authority is effectively discharging its duty of Best Value and continuous improvement in relation to education	
Social work/social care (including Adult Care, Older peoples services, Learning Disability services, Criminal Justice services, Mental health services, children and families) The risk assessment should consider the quality of local social work and care services and the resulting outcomes, focusing on any scrutiny risks in relation to: • social work services • integrated services for children (ICSP/GIRFEC) • integrated services for health and social care • Public protection (child, adult, public) Consideration should also be given to: • the quality of leadership (political and managerial) of the council's social work service - those judgements should be used to inform the broader leadership and	The risk assessment should be one of the following, along with clear evidence to support assessment: • **No additional scrutiny required beyond statutory / on-going work** • **On-going oversight and monitoring required** • **Scrutiny required (and type)**

Risk assessment area and criteria	Risk assessment
governance assessment earlier in the template • the effectiveness of elected member scrutiny and challenge of social work performance - those judgements should be used to inform the broader performance management and improvement (including scrutiny) assessment earlier in the template • the quality and effectiveness of self evaluation activity within the social work department – those judgements should be used to inform the broader performance management and improvement assessment • the extent to which the performance and outcome data for children and young people and families; adults; and older people; demonstrates that the social work department is effectively discharging its duty of Best Value and continuous improvement	
Housing and homelessness The risk assessment should consider the quality of housing and homeless services and the resulting outcomes. In particular, SHR's assessment will focus on: • customer satisfaction with services • access to housing and lettings outcomes • estate management, evictions and ASB outcomes • Rents and income maximisation • Scottish Housing Quality Standard (SHQS) • Home safety – Gas • Responsive repairs outcomes • Tenant focus • Homelessness	The risk assessment should be one of the following, along with clear evidence to support assessment: • **No additional scrutiny required beyond statutory / on-going work** • **On-going oversight and monitoring required** • **Scrutiny required (and type)**

Appendix 2: Local Area Network Evidence Template

Risk assessment and criteria	Evidence	Risk assessment
Leadership and governance The LAN should consider the following:		
• elected members are setting clear, stretching goals for the council and its services		
• the CMT is working well together to provide effective corporate leadership		
• there is sufficient leadership capacity within the organisation to support change and improvement		
• the quality and effectiveness of local partnership working		
• the council is working effectively towards delivering local outcomes through appropriate plans and strategies		
• the council has identified and is managing risks to the delivery of its strategies		
• management and governance processes are open and transparent		
• there are productive relationships among senior officials and members		
• proper officers have sufficient authority and status to exercise their roles effectively		
• the clarity of the council's improvement agenda		
• the pace of improvement in service delivery and the achievement of improved outcomes		

Appendix 2: Local Area Network Evidence Template

Resource planning and management The LAN should consider the following:		
• whether the audit opinion on the accounts is unqualified		
• how well it is planning, managing and delivering its budgets		
• whether the council has a clear strategy for managing its school estate that reflects predicted population changes and existing PFI/PPP commitments		
• whether the council and its key partners has a clear strategy for redesigning health and social care services to meet predicted demand and capacity pressures		
• whether the council has a clear strategy for managing and improving its housing stock (where this service has not been externalised)		
• whether any concerns about financial sustainability have been identified		
• the effectiveness of workforce planning and management arrangements and how well they integrate with other strategies and financial plans		
• whether asset management strategies/plans are clearly linked to the financial management plan and the council's strategic direction		
• how effectively corporate procurement contributes to maximising value for money		
Performance management and improvement The LAN should consider the following:		
• how the council uses performance trends in		

Appendix 2: Local Area Network Evidence Template

service outcomes and comparison with others through local government benchmarking data		
• whether arrangements for continuous improvement (service review and self-evaluation) deliver change effectively		
• there is effective scrutiny and challenge of performance		
• how the council is fulfilling its duty for public performance reporting (annual report on this produced by Audit Scotland)		
• LANs are asked to form a clear judgement about how proactive the council has been in developing a corporate service redesign and improvement programme that will enable it to respond to changing demands for services in the context of reduced funding levels. In making this judgement, LANs should: consider how effectively the process is being led, review progress that has been made to date in delivering budget reductions, and highlight any significant risks associated with the implementation of sustainable service delivery arrangements. LANs should also consider the council's track record and pace of change in delivering improvements in services and outcomes.		
Education and children's services The risk assessment should consider the quality of local education services and:		
• outcomes from establishment / service inspections		
• arrangements for and effectiveness in improving: attendance and reducing exclusions; learner attainment and achievement; and positive destinations		
• approaches and effectiveness to Getting it Right for Every Child (GIRFEC) and Curriculum for		

Appendix 2: Local Area Network Evidence Template

Excellence		
Consideration should also be given to: • the quality of leadership (political and managerial) of the council's education service - those judgements should be used to inform the broader leadership and governance assessment earlier in the template		
• the effectiveness of elected member scrutiny and challenge of education performance - those judgements should be used to inform the broader performance management and improvement (including scrutiny) assessment earlier in the template		
• the quality and effectiveness of self evaluation activity within the education department – those judgements should be used to inform the broader performance management and improvement assessment earlier in the template		
• the extent to which the performance and outcome data demonstrates that the education authority is effectively discharging its duty of Best Value and continuous improvement in relation to education.		
Social work/social care (including Adult Care, Older peoples services, Learning Disability services, Criminal Justice services, Mental health services, children and families) The risk assessment should consider the quality of local social work and care services and the resulting outcomes, focusing on any scrutiny risks in relation to:		
• Social work services		
• integrated services for children (ICSP/GIRFEC)		
• integrated services for health and social care		
• Public protection (child, adult, public)		
Consideration should also be given to: • the quality of leadership (political and managerial) of the council's social work service - those judgements should be used to inform the broader		

Appendix 2: Local Area Network Evidence Template

performance assessment earlier in the template		
• the effectiveness of elected member scrutiny and challenge of social work performance - those judgements should be used to inform the broader performance assessment earlier in the template		
• the quality and effectiveness of self evaluation activity within the social work department – those judgements should be used to inform the broader performance management and improvement assessment		
• the extent to which the performance and outcome data for children and young people and families; adults; and older people; demonstrates that the social work department is effectively discharging its duty of Best Value and continuous improvement.		
Housing and homelessness The risk assessment should consider the quality of housing and homeless services and the resulting outcomes. In particular, SHR's assessment will focus on:		
• customer satisfaction with services		
• access to housing and lettings outcomes		
• estate management, evictions and ASB outcomes		
• Rents and income maximisation		
• Scottish Housing Quality Standard (SHQS)		
• Home safety – Gas		
• Responsive repairs outcomes		

Appendix 2: Local Area Network Evidence Template

• Tenant focus		
• Homelessness		

ACCOUNTS COMMISSION

AGENDA ITEM 9
Paper: AC.2015.10.5

MEETING: 12 NOVEMBER 2015

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

STRATEGIC SCRUTINY GROUP – UPDATE

Purpose

1. The purpose of this report is to update the Accounts Commission on recent discussions and developments within the Strategic Scrutiny Group (SSG). These have focused largely on consolidating the group's success in implementing the Shared Risk Assessment (SRA) process and considering broadening the group's role and remit to enable it to:

    - Respond jointly to key long-term issues facing the public sector (eg reducing public finances, the shift towards prevention, the Community Empowerment Act, Welfare Reform).
    - Provide appropriate leadership in relation to better 'joining-up' and aligning scrutiny approaches at both the strategic and operational level.
    - Implement a programme of work that supports improved shared learning and the transfer of best practice between scrutiny bodies.

Previous consideration

2. The Commission previously considered an update report on the work of the SSG at its meeting in January 2015. Prior to that, in November 2014, the Commission agreed that minutes of the Group be provided for information.

3. Given the substantial time in between meetings of the SSG, it is felt that providing members with draft minutes of the Group (by way of the members' extranet site), while also providing a regular update such as this report following meetings of the SSG, is the most effective way of keeping the Commission appraised on the work of the SSG. It is proposed therefore that in future, reports such as this will be submitted to the Commission following each meeting of the SSG.

Background

4. Following the publication of the Crerar report in September 2007, the Scottish Government stated its aim of establishing a simplified and more coherent approach to delivering local government scrutiny. A key aspect of that agenda was to better coordinate and streamline scrutiny, while ensuring that its benefits for citizens (eg strengthened accountability and improved public services) are still achieved.

5. In March 2008, the Accounts Commission was asked by the Scottish Government to take on a gate-keeping and coordination role for the scrutiny of local government. The local government SSG was subsequently established to set priorities and oversee development activity linked to this new role. The SSG consisted at that time of the following members: Accounts Commission (chair), Audit Scotland, Care Commission, the Convention of Scottish Local Authorities (COSLA), Her Majesty's Inspectorate of Education, Her Majesty's Inspectorate of Constabulary for Scotland, the Scottish Housing Regulator, NHS Quality Improvement Scotland, Social Work Inspection Agency, the Scottish Government, the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

6. The membership of the SSG has evolved over time to reflect structural changes in the scrutiny landscape (eg the creation of Education Scotland, the Care Inspectorate, and Healthcare Improvement Scotland) alongside the groups increasing interest in public service reform which affects all parts of the public sector. This latter development has led to the group's membership being extended to include Scottish Government NHS quality and performance policy staff, Her Majesty's Fire Service Inspectorate (HMFSI) and more recently Her Majesty's Inspector of Prisons (HMIP) and Her Majesty's Chief Inspector of Prosecutions in Scotland (IPS).

7. The earlier report on today's Commission agenda (SRA process 2016/17) sets out the progress that the SSG has made in improving scrutiny coordination through implementation of the SRA process, which is now a routine and established part of the joint working arrangements between scrutiny bodies.

Scrutiny improvement in a changing public service policy and delivery landscape

8. Over the last year the SSG has been considering how it builds on that success to develop its role and remit to reflect its broader membership and the changed context within which public bodies now operate. Since the group was established in 2008, for example, a number of new scrutiny bodies have been created (Education Scotland, Care Inspectorate, Healthcare Improvement Scotland) and others have seen either their role and status amended (ie the Scottish Housing Regulator) or the nature of the service that they inspect change from a local to national service (HMICS, HMFSI).

9. Many members of the SSG are also now involved in partnership and place-based scrutiny activity that covers a range of different public bodies (eg Accounts Commission/Auditor General for Scotland audits of Community Planning Partnerships, and the Care Inspectorate's joint inspections of children's services and adult health and social care services).

10. In addition, over the same period the Scottish Government has also been implementing a wide-ranging public service reform agenda, which includes:

    - the Scottish Government/COSLA review of community planning
    - the creation of single national police, and fire and rescue services
    - college regionalisation
    - the Public Bodies (Joint Working) (Scotland) Act 2014 to implement health and social care integration
    - the Children and Young People (Scotland) Act 2014
    - the Community Empowerment (Scotland) Act 2015.

11. A common feature of these developments is that they extend beyond local government and affect a range of different public sector bodies.

12. As a consequence of these developments, the SSG agreed a new remit in late 2014 which is summarised below:

    - Promoting effective collaboration amongst public sector scrutiny bodies, in line with the five principles of scrutiny and the obligations of the Public Service Reform (Scotland) Act.
    - Ensuring that scrutiny develops in ways that reflect the context of the evolving public service reform agenda.
    - Promoting effective collaboration in those areas of shared interest where working together will add greatest value.

SSG August workshop to consider its future work priorities

13. The SSG held an externally facilitated workshop session on the 27th August to reflect on the progress that it has made since it was established in 2008 and consider its future direction in the context of the much changed and rapidly changing public sector landscape.

14. There was a consensus that the group should be ambitious in the scope of its work with a clear shared commitment to using the SSG as means of improving the planning and delivery of scrutiny in Scotland. It was felt that the increasing maturity of the group now means that it can, and should, more actively drive the future direction of scrutiny in Scotland. This should include both improving the operational efficiency and impact of scrutiny and proactively contributing to shaping future scrutiny policy.

15. It was accepted that this would require the group to build its legitimacy in contributing to the national debate about the future of public services and the role of scrutiny. There was a shared view within the group that earlier and better engagement with the Scottish Government on significant policy developments (and the role of external scrutiny within them) was an area that presented real opportunities for change and improvement.

16. The discussion on future priorities for the group fell into two key areas:

- **Strategic issues**: such as the role of scrutiny in the 21st century and significant issues of shared concern across the public sector (eg leadership and improvement capacity).

- **Operational issues**: such as aligning scrutiny approaches and sharing good practice between different scrutiny bodies.

17. The SSG was clear that both aspects were equally important. Therefore, strengthening the focus of the group on delivering practical improvements in scrutiny practice should be balanced against the group retaining a strategic perspective on how scrutiny needs to adapt in response to public service reform.

SSG: strategic and operational developments

18. The SSG identified three potential strategic developments that it wished to take forward:

(i) Preparing an agreed statement of 'why scrutiny is important' that sets out the added value that scrutiny brings (and how it contributes to improvement).

(ii) Developing a statement of shared vision and values that complements the statement of 'why scrutiny is important', but is more forward looking and sets out the group's collective vision for modern effective scrutiny (including the values and principles that should underpin it).

(iii) Considering where scrutiny needs to go in the 21st century. This would involve the SSG setting out its thoughts on how scrutiny needs to adapt and change to ensure that the overall system of scrutiny in Scotland is efficient, affordable and sustainable. Factors that the SSG would need to consider include:

- the changing demands and expectations of public services
- the significant financial challenges facing Scotland's public services
- new models of public service delivery
- developments in regulatory thinking (both domestically and internationally)
- new models of working within and between scrutiny bodies to streamline scrutiny and deliver efficiencies
- Scottish Government objectives for and expectations of external scrutiny.

19. At its most recent meeting in October, the SSG agreed that as these three strategic developments are closely linked they should be approached as a single stream of development work. As part of that discussion SSG members stressed the importance of using the collective expertise of the SSG to consider these issues and developing options for discussing with key stakeholder groups to influence policy thinking before the 2016 Scottish Parliament elections.

20. At the workshop session the SSG also identified a series of operational improvements that it felt should be the focus of its work moving forward. These included:

- Using the SSG as a forum for discussing key strategic scrutiny developments (eg the Accounts Commission's new approach to auditing Best Value in local government and Healthcare Improvement Scotland's new approach to inspecting and building improvement capacity in the NHS) to identify opportunities for aligning assessment framework and methodologies.

- Identifying opportunities for aligning assessment frameworks and audit, inspection and regulatory methodologies.

- Sharing staff across organisations through secondments and participation in each others' audit and inspection work, to promote shared learning and the adoption of best practice contributing to a shared understanding of what works well (including sharing key lessons learnt from audit and inspection work).

- Improving intelligence sharing and management across scrutiny organisations through:
    - continued refinement of the SRA process (in the local government sector)
    - further development and roll-out of intelligence sharing between Healthcare Improvement Scotland, the Care Inspectorate, Audit Scotland, Information Services Division (ISD) and other key stakeholders, etc.
    - developing 'joined-up' place-based approaches to the management of data.

- Developing shared responses and, where appropriate, undertaking joint work on significant themes of shared concern across the public sector (eg welfare reform, leadership and improvement capacity, governance, etc.).

- Jointly reporting on services and outcome areas in which more than one scrutiny body has an interest.

- Developing and implementing a common approach to assessing and reporting on the effectiveness of self-assessment approaches across the public sector.

- Developing the group's capacity to challenge each other, both within the SSG (in relation to strategic developments and issues of joint concern) and within the SRA process to ensure that we are all genuinely focusing on the key risks facing the public sector.

21. At its most recent meeting in October the SSG recognised that it was not practical to try to implement all ten operational improvements at the same time. It noted that the various projects potentially linked thematically under grouped headings such as: enabling actions; changes to scrutiny approaches, or changes to how the SSG operates. The SSG therefore tasked the scrutiny operational group with prioritising the improvement actions and converting them into a more manageable programme work that could be considered at the SSG's next meeting in December.

Conclusion

22. The Commission is invited to:

(a) consider this report

(b) note that the SSG will be considering its approach to taking forward its strategic and operational improvement agenda at its December meeting

(c) agree to receive further updates on the work of the SSG at future meetings.

Fraser McKinlay
Director of Performance Audit and Best Value
4 November 2015

Appendix 1: list of the potential projects that arose from the SSG August workshop

Strategic projects

1.	The development of an agreed statement of 'why scrutiny is important'. This document would set out the added value that scrutiny brings (and how it contributes to improvement).
2.	The development of a statement of shared vision and values. This document would complement the statement of 'why scrutiny is important', but would be more forward looking and set out the group's collective vision for modern effective scrutiny (including the values and principles that should underpin it).
3.	The development of a strategic paper on where scrutiny needs to go in the 21st century. This document would set out the SSG's thoughts on how scrutiny needs to adapt and change to ensure that the overall system of scrutiny in Scotland is efficient, affordable and sustainable.

Operational projects

1.	Using the SSG as a forum for discussing key strategic scrutiny developments
2.	Identifying opportunities for aligning assessment frameworks
3.	Identifying opportunities for aligning methodologies
4.	Sharing staff across organisations through secondments and participation in each others' audit and inspection work
5.	Improving intelligence sharing and management across scrutiny organisations
6.	Developing shared responses and, where appropriate, undertaking joint work on significant themes of shared concern across the public sector
7.	Jointly reporting on services and outcome areas in which more than one scrutiny body has an interest
8.	Developing and implementing a common approach to assessing and reporting on the effectiveness of self-assessment approaches across the public sector
9.	Developing the group's capacity to challenge each other, both within the SSG (in relation to strategic developments and issues of joint concern) and within the shared risk assessment process (SRA)
10.	Determining where the SSG intends to go in relation to place-based scrutiny following its initial pilot work in Eastern Perthshire

ACCOUNTS COMMISSION

AGENDA ITEM 10
Paper: AC.2015.10.6

MEETING: 12 NOVEMBER 2015

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

STRATEGY FOR STATUTORY PERFORMANCE INFORMATION (SPI) AND THE 2015 SPI DIRECTION

Purpose

1. The purpose of this paper is to set out options for the Commission to consider in relation to its 2015 SPI Direction.

2. The options are based on the overall strategy for statutory performance information that was agreed by the Commission at its June meeting in the context of the evolving maturity of the Local Government Benchmarking Framework (LGBF) and the Commission's future approach to auditing Best Value. The paper also reflects the Commission's strategy 2013-16 which contains a commitment to encourage local authorities to develop and maintain comparative performance information.

3. The paper also sets out proposals for further engagement and consultation with the Improvement Service, COSLA and SOLACE and other stakeholders prior to a draft 2015 SPI Direction being brought to the Commission for approval at its December meeting.

Background

4. Section 1(1)(a) of the Local Government Act 1992 (the 1992 Act), gives the Accounts Commission the power to direct relevant bodies to publish such information relating to their activities in any financial year or other specified period as will, in the Commission's opinion, "facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing Best Value in accordance with section 1 of the Local Government in Scotland Act 2003) between:

   i. the standards of performance achieved by different relevant bodies in that financial year or other period; and

   ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods."

5. Until 2012/13, the Accounts Commission/Audit Scotland published SPI information for the main council service areas1 annually, together with council profiles and a compendium of council performance2.

6. These products were generally well regarded by the local government community, but contributed to a culture of dependence where councils relied on the SPIs as their primary source of performance information and SPIs became the main vehicle through which councils met their Best Value Public Performance Reporting (PPR) obligations. Over time, challenges also arose

[1] Including - adult social work, benefits administration, corporate management, cultural and community services, education and children's services, development services, housing, police and fire, protective services, roads and lighting, waste management - http://www.audit-scotland.gov.uk/performance/service/.
[2] http://www.audit-scotland.gov.uk/performance/council/.

in maintaining the relevance and overall coherence of the suite of Accounts Commission SPIs in a changing local government policy and performance context.

The Local Government Benchmarking Framework (LGBF) and the Commission's SPI regime

7. Towards the end of the last decade, the Commission took the view that the local government community should take greater ownership of the PPR and performance benchmarking agenda. For that reason, the Commission endorsed and supported the development of the SOLACE-led local government performance benchmarking project. This reflected a commitment on behalf of the Commission to supporting sector-led improvement. It was consistent with the Crerar[3] principle that the primary responsibility for demonstrating [effective] performance should rest with service providers, based on robust performance management and outcome-focused self-assessment. This approach is also reflected in the Commission's strategy 2013-16 which contains a commitment to encourage local authorities to develop and maintain comparative performance information.

8. On that basis, the Commission's 2008 and 2012 Directions marked significant phases in this change of approach. In 2008, the number of SPIs reduced from 58 to 25, and in 2012 the Commission further reduced the number of SPIs to three. This shift reflected an acknowledgement of the local government community's commitment to publish a suite of comparative performance benchmarking data and the progress that was being made towards this. The three indicators introduced in 2012 remained consistent in the subsequent 2013 and 2014 Directions. The Commission's 2014 SPI Direction is attached at Appendix 1.

The Commission's strategy for its SPI regime

9. At its meeting in June the Commission considered a report by the Director of Performance Audit and Best Value inviting the Commission to consider its overall strategy for SPI in the context of the evolving maturity of the LGBF and the Commission's future approach to auditing Best Value.

10. During discussion, the Commission agreed:

- To endorse a strategy incorporating the following principles:
    - A longer-term (four or five-year) statutory performance information Direction.
    - A recognition of the increasing maturity of, and the Commission's support for the further development of, the LGBF.
    - Addressing how additional information that the Commission requires councils to publish, beyond that specified by the LGBF, links with the Commission's Best Value interests.
    - Incorporating the assessment of councils' approaches to PPR as an integral element of the new approach to auditing Best Value, rather than undertaking separate assessments of this aspect of councils' performance.
- To seek the views of COSLA, SOLACE, the Improvement Service and the LGBF Board about this strategy and how they could fulfil the Commission's desire for information beyond the LGBF, as described above.
- To seek clarity through further legal advice that it is within the Commission's powers to place reliance in the LGBF.
- To note that a further report will be brought to a future meeting of the Commission with a draft SPI Direction.

[3] The Crerar Review. The report of the independent review of regulation, audit, inspection and complaints handling of public services in Scotland. Scottish Government, September 2007.

- To note that a further report will consider the implications of the Commission's statutory responsibilities in relation to performance information for the Commission's interests in integration joint boards.

11. The Commission chair and deputy chair met with the LGFB on 14th August to brief the LGFB on the Commission's proposed strategy for the SPI regime and consider the most recent progress that the LGBF had made in developing the scope of the LGBF and developing a similar benchmarking framework for Community Planning Partnerships (CPPs).

12. Following that meeting the chair of the Commission wrote to the chair of the LGBF Board. His letter welcomed the LGBF Board's commitment to the areas of further development as set out in page 56 of the frameworks overview report 2013/14, particularly in relation to the development of indicators in customer satisfaction and outcomes for children and older people. The letter also highlighted the Commission's interest in seeing more tangible evidence of councils using the LGBF performance information to improve their performance in comparison to other councils in their family group.

13. The Commission will be meeting with the LGBF Board again on 11th December when it will be able to follow-up on these points. The Secretary to the Commission will also be taking up a role of observer on the LGBF Board.

SPI Direction options

14. At its June meeting the Commission agreed that its 2015 SPI direction needs to reflect the Commission's ongoing commitment to sector-led benchmarking and improvement and its approach to the next iteration of the local government Best Value audit approach (in particular the tone of continuous improvement and outcomes).

15. That objective could be achieved in a number of different ways. This paper sets out three options for the Commission to consider in relation to the content of its 2015 SPI direction:

    - Option 1: No significant change to SPI Direction.

    - Option 2: This option would involve the retention of two separate SPIs that relate to corporate management and service performance but with revised reporting requirements under each area that better reflect the Commission's 2013-16 strategy and its new approach to auditing Best Value. The requirement on councils to continue to report their performance in line with the LGBF would also be retained under this option.

    - Option 3: Revision of the SPI Direction to introduce a single SPI that reflects the Commission's PPR expectations under the new Best Value audit approach. As with option 2, the requirement on councils to continue to report their performance in line with the LGBF would also be retained under this option.

16. All three options would enable the Commission to discharge its obligations under the 1992 Act. The pros and cons of these options are set out in Table 1. An illustrative example of Options 2 and 3 are set out at Appendix 2.

17. In June the Commission decided to adopt an SPI strategy based on a longer-term (four or five-year) SPI Direction. On that basis it is assumed that whichever option is chosen the 2015 Direction will be for a period of longer than a single year. It is proposed that the next SPI Direction be for a three-year period to signal the Commission's ongoing interest in keeping the SPI regime under periodic review whilst at the same time giving time for the LGBF to further develop alongside the implementation of the Commission's new approach to auditing Best Value. The Commission would, of course, be free if it chose to issue a revised Direction at any point in that 3-year period.

Table 1

Pros and cons of Options 1-3 for the 2015 SPI Direction

Option	Pros	Cons
No significant change to SPI Direction	• Provides continuity for councils and could be presented as continuity of the Commission's existing SPI strategy • Retains a relatively significant role for the Commission and its SPI regime	• Does not demonstrate alignment of the SPI regime with the Commission's new approach to auditing Best Value • Does not demonstrate evidence of the Commission adapting its SPI regime in response to the increased maturity of the LGBF
Revision of SPI Direction to better reflect the Commission's new approach to auditing Best Value retaining separate SPIs 1 (corporate) and 2 (service), plus SPI 3 (LGBF reporting).	• Retains a relatively significant role for the Commission and its SPI regime • Could address some of the issues raised in the June Commission report about the added value of the "Commission's" SPIs (ie 1 and 2) alongside the LGBF • Provides the opportunity for the SPI regime to better reflect local priorities and councils' individual improvement agendas • Provides an opportunity to better align the language of the SPI Direction with the Commission's new approach to auditing BV	• Creates the risk that as the LGBF continues to develop over time new areas of overlap and duplication between the 'Commission's' SPIs and the LGBF will emerge • Does not demonstrate evidence of the Commission adapting its SPI regime in response to the increased maturity of the LGBF
Revision of SPI Direction to introduce a single SPI that reflects the Commission's PPR expectations under the new BV audit approach, plus and SPI that requires continued reporting of the LGBF by councils	• Is most likely to meet the Commission's ambitions of aligning the SPI regime more closely with the new BV audit approach • Provides the opportunity for the SPI regime to better reflect local priorities and councils' individual improvement agendas • Would also bring the Direction more closely in line with the existing statutory guidance on PPR • Would send a powerful signal about the Commission's ongoing commitment to sector-led improvement • The Commission retains the power to change the Direction at any time it sees fit if it is unsatisfied with further progress made by LGBF	• Could be seen as diminishing the significance of the Commission's role in relation to SPI • More local flexibility might present challenges when making performance comparisons between different local authorities • Would require effective ongoing engagement with the LGBF Board to assure the Commission that: o Sufficient progress is being made to refine and improve the LGBF (eg development of customer satisfaction indicators and outcome data for children and older people) o Councils are using the LGBF performance data to improve performance in comparison to others in their family group

Source: Audit Scotland

Consultation on the draft Direction

18. Section 2 (3) of the 1992 Act requires the Commission to consult with 'such associations of relevant bodies and such other persons as it sees fit' before giving a direction which imposes a new requirement on any relevant body. It is for the Commission to determine which associations and bodies it wishes to consult and the manner in which it will undertake any consultation activity.

19. The Commission has not undertaken any formal written consultation with stakeholders over the SPI Direction since its streamlined approach was implemented in 2012. This is because the 2013 and 2014 Directions did not introduce any new requirements on local authorities, but instead simply carried forward the 2012 SPI Direction without any substantive change of content.

20. The Commission has maintained a programme of regular engagement and consultation with COSLA and SOLACE on its work programme since the introduction of the 2012 SPI Direction, which has included discussions on its approach to the SPI regime. In addition, since the establishment of LGBF project, the Commission has also met regularly with the LGBF Board to discuss the SPI regime and other issues of shared interest (eg the LGBF's approach to developing benchmarking data for CPPs) and the Controller of Audit has been an observer on the LGBF Board. The Commission's meetings with the LGBF Board have been important, given the reliance that the Commission has placed on the LGBF as part of the local government sector-led approach to benchmarking and service improvement. They have influenced the Commission's narrative in relation to recent SPI Directions.

21. The Commission's recently approved engagement plan commits the Commission to meeting with the LGBF Board as part of the Commission's consultation on the 2015 SPI direction. That meeting, which will involve the chair and deputy chair of the Commission and the LGBF Board, is scheduled to take place on the 11th December.

22. A meeting with SOLACE to discuss the Commission's proposed approach to the 2015 SPI Direction is scheduled for 27th November, and arrangements are also being put in place for a meeting with COSLA before the 2015 Direction is approved by the Commission. It is proposed that following today's meeting the Commission formally write to these three bodies setting out its proposed approach to the 2015 SPI Direction and asking for any feedback from them on this matter.

23. It is also proposed that the Commission formally write to the Scottish Local Government Partnership (SLGP), as a relevant local government association, following today's meeting setting out its proposed approach to the 2015 SPI Direction and asking for any feedback from the SLGP on this matter.

24. It is also proposed that the Commission formally write to the Scottish Government to keep it appraised of our thinking and approach.

Other issues – Integration Joint Boards

25. The Local Government Act 1992 Act gives the Commission statutory powers to specify that relevant bodies must publish specified information. Relevant bodies under this piece of legislation include any local authority, joint board or joint committee, within the meaning of the Local Government (Scotland) Act 1973. The integration joint boards (IJBs) that are being created under the Public Bodies (Joint Working) (Scotland) Act 2014 will be local government bodies for the purposes of accounts and auditing under section 106 of the Local Government (Scotland) Act 1973. We therefore sought legal advice on whether these bodies fall within the

ambit of the 1992 Act, giving the Commission powers to direct them to publish specified performance information.

26. Our legal advice is that the Commission does not have this power. The lawyers have arrived at this conclusion on the basis that the definition of joint board set out in the Local Government (Scotland) Act 1973 (the 1973 Act) has not been updated so that it includes IJBs. The detailed legal advice is set out below (Table 2).

Table 2

Legal advice on whether the Accounts Commission has power to direct IJBs to provide information under Section 1 of the Local Government Act 1992

Section 13 of the Public Bodies (Joint Working) (Scotland) Act 2014 deals with finance and audit mechanisms for IJBs. It amends section 106 of the 1973 Act to include a reference to IJBs. The effect of section 106 is to apply Part 7 of the 1973 Act (on local government finance) to specified bodies other than local authorities. The effect of the amendment is that the provisions of Part 7 apply to IJBs as well as to local authorities. IJBs are therefore required to appoint a proper officer for the administration of their financial affairs (Section 95 officer), keep accounts and have those accounts audited by the Accounts Commission.

The 1973 Act finance provisions overlap with the powers conferred on the Commission to issue directions under section 1 of the 1992 Act (section 1 powers) , the sense that "relevant body" is defined by section 1(7)(b) as "any local authority, joint board or joint committee, within the meaning of the 1973 Act."

Whether the section 1 powers may be exercised in relation to IJBs therefore depends on whether IJBs are joint boards that come within the meaning of the 1973 act. The question then is what is a joint board "within the meaning of" that legislation? The terms 'local authority' and 'joint board' are both expressly defined in section 235 of the 1973 Act:

- "local authority" means a council constituted under section 2 of the Local Government etc. (Scotland) Act 1994;
- "joint board" means a body corporate, **constituted for the purposes of a combination of local authorities** under **this Act or by or under any other enactment**, consisting **exclusively of persons appointed by the local authorities**".

Both of these definitions are relevant. The highlighted sections of the joint board definition make clear that a joint board within the meaning of the 1973 Act will only exist where it is formed from a combination of more than one local authority (as defined above) and that it must consist exclusively of individuals appointed by the local authorities. It does not matter if the joint board is established under the 1973 Act or another Act.

In our view, IJBs do not fall within this definition. They are established under the 2014 Act, rather than the 1973 Act (which is not in itself problematic). However, IJBs are established expressly for the dual purposes of one or more local authorities and one or more health boards. Their membership is a matter for agreement between the relevant local authorities and health boards in the joint integration scheme prepared by them. All of the schemes that we have seen provide for members to be appointed by both local authorities and Health Boards (indeed given their very purpose it is difficult to see how a different approach would be agreeable constituent local authorities/ health boards). On the basis of this dual purpose, it seems to us that IJBs do not meet the 1973 Act definition and are therefore outside the SPI regime."

Source: Brodies LLP, October *2015.*

Recommendations

27. The Accounts Commission is invited to:

(a) Consider the options set out in this report in relation to the SPI Direction 2015:

- *Option 1***:** No significant change to SPI Direction.
- *Option 2:* Revision of SPI Direction to better reflect the Commission's new approach to auditing Best Value, but retaining current approach of SPIs 1 and 2, plus LGBF reporting.
- *Option 3:* Revision of SPI Direction to introduce a single SPI that reflects the Accounts Commission's PPR expectations under the new BV audit approach, plus continued council reporting of the LGBF.

(b) Approve the proposed approach to consulting with COSLA, SOLACE and the Local Government Benchmarking Framework Board in relation to the 2015 SPI Direction.

(c) Approve the proposed approach to consulting with the Scottish local government partnership on the 2015 SPI Direction.

(d) Approve the proposal that the 2015 SPI Direction be for a three-year period.

(e) Note the legal advice in relation to the Commission's power to direct IJBs to provide information under Section 1 of the Local Government Act 1992.

(f) Note that a further report will be brought for approval to the Commission's December meeting of the Commission with a draft SPI Direction.

Fraser McKinlay
Director of Performance Audit and Best Value
4 November 2015

Appendix 1

The Publication of Information (Standards of Performance) Direction 2014

Local Government Act 1992

Statutory Performance Indicators

Direction 2014

December 2014

Foreword

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish in the following financial year. This Direction sets out the range of performance information for the 2015/16 financial year that the Commission requires councils to collect and report in public.

The Commission has retained the schedule of statutory performance indicators as set out in the Directions for 2012 and 2013. This provides continuity to support further progress with the Local Government Benchmarking Framework (LGBF) and councils' public performance reporting arrangements. We retain three headline indicators – in relation to corporate management characteristics, service performance and reporting through the LGBF.

The Commission welcomes the progress made by councils to develop their performance data set through the LGBF. In 2014, we have seen the LGBF start to mature as a resource, with three years of comparable information giving trend information and analysis. The Commission also acknowledges the broad progress made by councils in how they report their performance in public, including Statutory Performance Indicators, evidenced by its 2014 review of public performance reporting which we shared with councils earlier this year.

Since 2008, the Commission has taken steps to develop a more flexible approach to its statutory responsibility. The 2008 Direction reduced statutory indicators from 58 to 25 and in 2012 the Commission reduced the number of indicators to three. This shift reflected the local government community's commitment to the LGBF and the progress made towards this. The Commission recognises it is time to reflect on progress since 2008 and how its approach is taken forward. During 2015, the Commission will review its strategy in relation to statutory performance information. It will review progress and plan its approach to promote continuous improvement in the quality of performance information from, and reporting by, councils. A key requirement is that the public can compare performance across councils and over time.

As part of this review, the Commission will, in June 2015, consider a fifth report on progress by councils on their public performance reporting against the three statutory performance Indicators. Audit Scotland staff will write to you early in 2015 with more detail about the process. The Commission will provide councils with information from this review of public performance reporting to help inform improvement work. In due course, I will also write to you to outline the Commission's plans for statutory performance information and monitoring of public performance reporting.

Douglas Sinclair
Chair of the Accounts Commission for Scotland
December 2014

LOCAL GOVERNMENT ACT 1992
THE PUBLICATION OF INFORMATION
(STANDARDS OF PERFORMANCE) DIRECTION 2014

1. This Direction is given by the Accounts Commission for Scotland ("the Commission") under section 1(1)(a) of the Local Government Act 1992, which requires the Commission to direct relevant bodies to publish such information relating to their activities in any financial year or other specified period as will, in the Commission's opinion:

"facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing best value in accordance with section 1 of the Local Government in Scotland Act 2003) between –

i. the standards of performance achieved by different relevant bodies in that financial year or other period; and

ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods"

2. This Direction is given to all local authorities and to joint committees and joint boards, as defined by the Local Government (Scotland) Act 1973, and amended by the Local Government etc. (Scotland) Act 1994.

3. Each of the bodies referred to in paragraph 2 shall, in accordance with section 13 of the Local Government in Scotland Act 2003 and associated regulations and guidance from Scottish Ministers:

a. publish the information specified in the schedule to this Direction for all those activities which are carried out by the body

b. ensure that publication facilitates the making of comparisons where appropriate and possible with performance for those activities which were also specified in 2014/15 (2013 Direction).

4. The period for which the information in the schedule must be published is the financial year ending 31st March 2016.

5. In the schedule, the term ' Best Value' shall be interpreted in accordance with the definition and requirements of Part 1 of the Local Government in Scotland Act 2003.

Schedule

Corporate management

SPI 1: Each council will report a range of information, sufficient to demonstrate that it is securing Best Value in relation to:

☐ responsiveness to its communities
☐ revenues and service costs
☐ employees
☐ assets
☐ procurement
☐ sustainable development
☐ equalities and diversity

Service performance

SPI 2: Each council will report a range of information sufficient to demonstrate that it is securing Best Value in providing the following services (in partnership with others where appropriate):

☐ benefits administration
☐ community care
☐ criminal justice social work
☐ cultural & community services covering at least sport & leisure, museums, the arts and libraries
☐ planning (both environmental and development management)
☐ education of children
☐ child protection and children's social work
☐ housing & homelessness
☐ protective services including environmental health, and trading standards
☐ roads and lighting
☐ waste management services

Local Government Benchmarking Framework

SPI 3: Each council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework.

Appendix 2

Illustrative examples of how options 2 and 3 might be presented in the Commission's 2015 SPI Direction

Option 2: Revision of the SPI Direction to better reflect the Commission's new approach to auditing Best Value, but retaining the current approach of separate SPIs 1 (corporate management) and 2 (service performance), alongside SPI3 (LGBF reporting).

Corporate management

SPI 1: Each council will report a range of information, sufficient to demonstrate that it is securing Best Value in relation to its planning for improvement and management of resources.

Service performance

SPI 2: Each council will report a range of information sufficient to demonstrate that it is securing Best Value in providing services and securing improved outcomes (in partnership with others where appropriate).

Local Government Benchmarking Framework

SPI 3: Each council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework.

Option 3: Revision of SPI Direction to introduce a single SPI that reflects the Accounts Commission's PPR expectations under the new approach to auditing Best Value, plus continued council reporting of the LGBF

Achievement of Best Value

SPI 1: Each council will report a range of information setting out:

- The council's service and outcome improvement priorities
- How the council is securing Best Value in relation to its planning for improvement and management of resources.
- How the council is performing against its strategic priorities (including its performance in addressing outcome inequalities).
- How the council is engaging with communities and working with them to improve local public services (including in partnership with others).
- What local people think about the council area and local public services, and how the council is responding to their views and concerns.
- How the council has improved local public services and where further improvement is required.

Local Government Benchmarking Framework

SPI 2: Each council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework. The Commission may wish to reflect further on whether cross-cutting issues such as equalities and climate change should be considered for inclusion in the SPI Direction.

ACCOUNTS COMMISSION

AGENDA ITEM 11
Paper: AC.2015.10.7

MEETING: 10 NOVEMBER 2015

COVER NOTE BY: SECRETARY TO THE COMMISSION

40 YEARS OF THE ACCOUNTS COMMISSION

Purpose

1. The purpose of this paper is to inform the Commission of activities to mark 40 years of the Commission.

Background

2. The Commission was established by the of the Local Government (Scotland) Act 1973. A first meeting took place in late 1974 and it was in 1975, after it had appointed the first Controller of Audit, that it began its overview of the newly reorganised local government in Scotland.

3. At the core of the narrative around marking 40 years of the Commission is a recognition of how the work of the Commission has reflected significant changes to the Scottish public sector landscape. The Commission's remit and impact has expanded beyond its original role of securing and considering issues arising from local authorities' financial accounts. In 1988, the Commission started undertaking audits of 'value for money' in councils; in 1992, it gained responsibility to direct councils on the information that they should publish on their performance; in 2000, Scottish devolution saw the development of the Scottish public audit model in conjunction with the Auditor General and Audit Scotland; in 2003, the audit of Best Value was started; in 2008, the Commission was asked to lead in the co-ordination of scrutiny of Scottish local government; in 2012, the Commission undertook, in conjunction with the Auditor General, audits of community planning partnerships; and in 2013, the Commission was given responsibility for auditing integrated joint boards for health and social care.

Activities and resources

4. Some activities have been put in place to mark 40 years of the Commission. The core activity has been twofold:

    - A web resource
    - A reception

5. The web resource is part of the new Commission website, which has been redesigned and is hosted by Audit Scotland. The new website is being lanched this week. The resource contains the following information:

    - A summary 'frontpage' narrative of the story of the Commission
    - A paper, by Victoria Anker, providing a history of the Commission, tracing developments and events of the Commission since its inauguration (this is appended for information)
    - A more detailed timeline of significant events in the history of the Commission
    - A rollcall of previous Chairs and Controllers of Audit

- A list of statutory reports published by the Commission.

6. The reception will take place after today's meeting. The Minister for Local Government, Mr Biagi, will be our guest, along with a number of previous Chairs, Controllers of Audit and Commission Secretaries. Representatives of local government, from COSLA, SOLACE and CIPFA, will also be present, as well as from our scrutiny partners. 13 members of staff who have worked for Audit Scotland and previously the Commission for at least 25 years have also been invited.

7. We have the honour of having amongst our guests Mr James Dargie, who was the first Controller of Audit, appointed in November 1974.

8. It has been planned to hold the reception to coincide with the Commission holding its first meeting in the new premises that it shares with Audit Scotland and the Auditor General.

Activities and resources

9. The Commission is invited to note the activities taking place to mark its 40 years.

Paul Reilly
Secretary to the Commission
2 November 2015

40 years of the Accounts Commission

40 YEARS OF THE ACCOUNTS COMMISSION

Victoria Anker
November 2015

40 years of the Accounts Commission

The Accounts Commission (then known as the Commission for Local Authority Accounts in Scotland) first met on 25 September 1974, charged under section 97(1) of the *Local Government (Scotland) Act 1973* with co-ordinating and overseeing the audit of local government authorities. 40 years on, the Commission retains its original remit (although this has expanded substantially), but it is very different in structure and procedure. This report traces developments and events of the Commission since its inauguration that are of interest to the Commission itself, local Scottish authorities, and the broader Scottish public.

Contents

Historical Developments

Early Years

The Commission's first meeting was held at Craythorne House, Edinburgh (23 Ravelston Terrace, EH4 3EF).[1] The building also briefly housed Balfour Beatty, the construction company (now in Dean House, 24 Ravelston Terrace), but is now a residential apartment complex. A more permanent accommodation was a central concern of the Commission: it features in meetings on 6 November 1974, 6 February 1975, and 18 March 1975. Having secured, by spring 1975, 32 Saint Andrew Square, the Commission appointed Mr James W Taylor as architect with a budget (including Taylor's fee) of £10,000.

A key early task for the Commission was to appoint its first Controller of Audit, Mr James Dargie.

The first meeting in the new premises was held on 1 September 1975; however, the Commission decided not to hold a public opening of the new offices. As of November 1975, an annual hiring scheme of paintings took effect in conjunction with the Scottish Arts Council at the cost of £3.50 per painting per annum. Saint Andrew Square was one of the first sections of the New Town to be completed (the gardens in 1770, the buildings in 1780s): no. 32 is now home to Harvey Nicks but several original buildings, including the Royal Bank of Scotland, remain.

A second preoccupation was the need to promote the Commission's existence to the Scottish public. This need was intensified by the investigation of the Layfield Committee (1974-1976), which was charged with reviewing local government finance, but appeared to neglect the role of the Accounts Commission in local government finance.[2] On 29 October 1975, the Commission discussed the need for a publicity leaflet and corresponding public relations campaign. This was supported by a press conference on 4 December 1975, attended by reporters from Scotsman, Herald, Express, Record, and Evening News.

Two further, interrelated issues emerged in the early years of the Commission: its relationship with local authorities and the political implications of its work. Whilst the Commission believed itself in a position to 'help the efficiency of local authorities', the Convention of Scottish Local Authorities (COSLA) were less convinced. A meeting with COSLA on 20 April 1976 revealed the local authorities' insecurities about the Commission's 'role in showing the public that they were getting value for money'. COSLA worried that the Commission would achieve this role through publicly comparing local authorities against each other, a prospect that greatly alarmed the Convention.[3] This distrust continued throughout the later 1970s: in a Commission meeting on 6 December 1978, members 'questioned the value of continuing contact with the Convention on the present basis since it was quite apparent that meetings with individual local authorities were much more fruitful.' This suggests a sceptical mentality within the Convention evidenced by its rejection of the Commission's invitation to discuss the Commission's Third Annual Report.[4]

[1] The Committee Minutes record Craythorne at no. 25, but this was in fact Dunedin House (another office block that was also demolished in favour of residential accommodation).
[2] Layfield Report (1976): http://hansard.millbanksystems.com/lords/1976/may/19/the-layfield-report-1
[3] AUS 1/1 1974-1979, un-pg insert between pp. 60-61
[4] AUS 1/1 1974-1979, p. 131

Concurrent with the Commission's difficult relationship with COSLA in the second half of the 1970s, the political implications of the Commission's work also began to emerge. The first mention of this issue occurs on 21 December 1976 in the discussion of rent collection in Edinburgh. After a brief discussion, the Commission concluded that it 'could not avoid dealing with matters which had political overtones – indeed most of the contentious matters coming before the Commission would be of that nature'.[5] Potential political implications also led the Commission to tread carefully over the issue of free milk in schools (21 December 1976). The Commission was wary of accusations of unfair discrimination by allowing the benefit to fall under "legal expenditure" in some localities whilst not encouraging other authorities to also provide free milk.

1980s and Developing the Remit

The early 1980s were primarily concerned with developing and consolidating the Commission's remit, in the face of continued scepticism from COSLA and the emergence of Value for Money as a key area of dissension within the Commission itself. In discussing this on 22 February 1980, the Commission touched upon Value for Money (see below). Both Professor Flint and Mr Watt emphatically argued that the responsibility for economically administering public funds lay with local authorities and that the role of the Commission was to audit systems by which this occurred – not specific activities. By 19 August 1980, the Commission reversed its position, accepting that 'value-for-money examination [now] formed part of the basic audit process.'[6]

The Commission's position on Value for Money bought it into conflict again with COSLA; the Commission minutes for the meeting with COSLA on 17 June 1980 are keen to emphasise that this meeting was arranged at COSLA's request.[7] COSLA's unease is again evident in the meeting on 28 January 1981, in which they expressed unhappiness that the Commission's budget was increasing whilst local authorities were being told to tighten their own belt. The Commission offered 'a new small sum for specific agreed value for money projects' but COSLA remained unconvinced that the local authorities needed the assistance of the Commission in identifying these potential projects.[8] From 2 December 1982, meetings with COSLA were held immediately following the Committee's regular meetings.

Statutory Reports (SR), from the Controller of Audit, were a feature of the Commission at inception. No SR's were submitted in 1975 or 1977. The number of reports peaked in 1979 (and has been in decline ever since) when 13 SR's were submitted to the Commission.[9] On 23 December 1980, an SR on teachers' salaries was discussed. The issue of paying teachers' salaries before or during the summer holiday became in some ways a test case for the transparency of the Commission with the public. On 5 May 1981, the Commission's concern that they be transparent in public was emphasised through the discussion of a press release detailing conclusions reached in this case to be relayed to the public once the local authorities concerned had accepted the Commission's recommendations.

[5] AUS 1/1 1974-1979, p. 83
[6] AUS 1/2 1980-1984, p. pp. 194-95
[7] AUS 1/2 1980-1984, un-pg insert between pp. 186-87
[8] AUS 1/2 1980-1984, un-pg insert between pp. 210-11
[9] Rodden, *Twenty-Five Years of the Accounts Commission* (1999), p. 20: there were no SRs in 1994 or 1995

The first SR to result in a court hearing (held 13 December 1982) was when the Commission sought the view of the Court of Session in relation to a special report from the Controller of Audit on the rate support grant provided by the Government for Lothian Region and Dundee and Stirling District councils.

A significant court case involving the Commission was in 1994 when Grampian Regional Council challenged in the Court of Session the Commission's 1991 findings on a SR that it had unlawfully given money to the Campaign for a Scottish Assembly. The Court of Session ruled that the Commission had not demonstrated, despite holding an inquiry, that money paid by the Council to the Campaign for a Scottish Assembly had been spent on publicity and thus making it unlawful.

The Commission also developed its relations both within and outwith the organisation. A meeting with Mr J Allan Stewart MP on 2 September 1982 was only the second ministerial visit since the Commission's formation; these meetings became more regular across the 1980s and were an opportunity for the Commission to discuss its remit, encroach of its remit by other authorities, and legislation that would affect the Commission's work.[10] The Commission also met with the Audit Bureau of the People's Republic of China on 6 November 1986; the visitors received a presentation on Scottish audit practice by Mr McLellan. Meanwhile, the Commission itself was growing and accommodation again became a concern (30 January 1980) with additional accommodation secured in East Kilbride for the Hamilton section of staff (31 January 1985). From 3 September 1987, the Commission met at the Royal Scots Club and accommodation proved problematic into the 1990s as numerous bids on various premises were rejected (including Dunstane House, Greenside House and 5 Shandwick Place).[11] The first staff conference, described in the Committee minutes as 'very worthwhile', was held at Dunblane on 13-14 April 1983.[12]

Early 1990s and the NHS

The late 1980s-early 1990s saw the Commission enter the age of technology. One of the first computers was authorised for purchase on 5 May 1983 in order 'to provide the means of producing better management information for the audit service'.[13] On 8 February 1989, computer equipment was an important discussion point, with £13,670 earmarked for replacement computers (COMPAQ Deskpro 386s).

Informal conversations concerning audit responsibility over the NHS in Scotland are first recorded in spring 1989, but the government response in winter 1989 was lukewarm (8 November 1989). Key issues that emerged in discussion on 15 December 1993 included 'professional matters, scale of activity, resources required, areas of clinical activity, and Commission independence.'[14] It was not

[10] Other ministerial visits in the 1980s include Mr Michael Ancram (3 December 1983, 3 May 1984, 5 June 1986) and Mr Ian Lang MP (3 December 1987)
[11] Alternative locations between 1987-1995 Included Merchant's Hall (5 November 1987, 10 July 1989), the New Club (12 December 1990, 11 September 1991), Royal Over-Seas League (10 June 1992), 1 Atholl Crescent (19 May 1993), Royal College of Physicians (15 December 1993), 23 Walker Street (12 January 1994), Balmoral Hotel (11 February 1994), Grant Thornton offices (14 September 1994).
[12] AUS 1/2 1980-1984, p. 289
[13] AUS 1/2 1980-1984, p. 287
[14] AUS 1/4 1990-1994, pp. 922-23

until 1994 that the Secretary of State confirmed by letter (dated 8 July) that the Commission would be given responsibility for carrying out statutory audits of the NHS, beginning 1 April 1995. These responsibilities were subsequently assumed by the Auditor General for Scotland, which was created under the Scotland Act 1998, prior to devolution in 2000.

The *Self-Governing Schools etc. (Scotland) Act 1989* also impacted on the Commission's remit. As early as 8 March 1989 the Commission discussed the possibility of building into legislation the change to allow schools the opportunity to arrange audits through the Commission (as was the case in English legislation). Under section 77 of the act, the Commission was able to conduct Value for Money audits, but only upon the request of the school's governing body.

With the launch of Prime Minister John Major's *Citizen's Charter* in 1991 and the *Local Government etc (Scotland) Act 1992*, the Commission spent several meetings discussing its public perception. On 12 June 1991 the Commission approved the first issue of the *Bulletin*, a quarterly edition focusing on Value for Money matters. The *Bulletin* was designed not just for staff but also for local authorities, auditors and other interested bodies. On 14 July 1993, the Commission also approved plans for a public conference to give it an 'opportunity to set out the agenda for [its] enhanced role... in an increasing number of areas affecting the non-financial performance of local authorities.'[15] On 19 May 1993, the Commission approved the appointment of Financial Marketing Scotland as public relations advisers. On the back of this appointment, media skills training by PMC International was introduced for Commission members in 1994. Creating a new logo to enhance the Commission's public profile and promote its identity was also discussed on 15 March 1995.

Devolution & the Millennium

The Scottish devolution referendum of 1997 led to the *Scotland Act (1998)*, which created a Scottish Parliament in Edinburgh with devolved powers to pass laws on a range of issues. The Commission was aware of the Scottish Constitutional Convention's report of 1995 (which formed the basis of further devolution proposals): back in 1975, the Commission had noted a report on the proposed bill of devolution (23 December). Twenty years later, in light of the 1997 referendum, the Commission discussed on 11 June provisional arrangements to hold a reception at Westminster designed 'to increase Scottish MPs' understanding of the Commission and to introduce them to recent examples of the Commission's work and the future programme of activity.'[16] Devolution, the powers the Scottish government would receive, and the impact on the Commission's activities were also discussed on 10 September 1997 and 8 July 1998.

In the late 1990s, devolution was not the only issue preoccupying the Commission. Members were also alert to the threat of the Millennium Bug as the year 2000 approached. These fears were first raised in a meeting on 12 March 1997, namely on the effect on IT and other technology systems. On 13 October 1999 the Commission discussed a report (dated 30 September) on councils' compliance with the Millennium Countdown Year 2000, in order to protect computerised systems against the New Year.

[15] AUS 1/4 1990-1994, p. 799
[16] Account Minutes 1995-1999

The late 1990s also saw changes to the structure of the Commission, in response to Value for Money exercises and audits of local authorities and the NHS. On 15 March 1995, the Commission discussed a Framework Document designed to clarify the objectives, statutory functions, non-statutory responsibilities, and financial arrangements of the Commission. Further discussion on 10 July 1996 led to the removal of the post of Director of Local Government Studies and creation of new post: Directory of Value for Money Studies (Local Government). Responsibility for community care and social work studies was transferred to the Director of Health Studies (first appointed in spring 1995).

A New Millennium

The year 2000 marked the 25th anniversary of the Accounts Commission. A new Code of Audit Practice for all audits within the Commission's remit occupied meetings in autumn 2000.[17] This resulted in an updated Commission Strategy, approved by the Committee on 14 March 2001. Key points included:

- Giving assurance on governance, stewardship and financial management
- Commitment to new and better mechanisms of consultation with local authorities
- Recognition of the importance of transparency and accountability on costs of audit
- Clearly defined outputs by which to measure Commission's performance
- Commitment to demonstrate how performance information can lead to improvement
- Need for multi-disciplinary approach to Best Value Audit [see below]
- Emphasis on significance of internal audit

This Framework Document was reworked in 2003 in light of the creation and development of Audit Scotland. Audit Scotland was set up in 2000 to provide services for both the Commission and the Auditor General. In discussing Audit Scotland's corporate plan 2004-2007 on 10 March 2014, the Commission was keen to emphasise the need for consistency in terminology used by the Commission, Audit Scotland and Auditor General.

A desire to clarify the behaviour and responsibilities of public bodies led to the Commission endorsing a Code of Conduct for Members of Public Bodies. In regards to Commission members' own behaviour, a Code of Conduct for Members of the Accounts Commission, approved by MSPs in spring 2003, included the need to register any gifts or hospitality from public bodies and a register of members' interests.

After a meeting with MSPs on 14 June 2001, which few MSPs had attended, a visit by Peter Peacock MSP, Deputy Minister for Finance and Public Services on 12 June 2002 led to further improvement in relations between the Commission and Scottish Government. Ministerial visits were historically an intermittent event: when visiting the Commission on 2 September 1982, Mr J Allan Stewart MP had remarked that contact between the Commission and the government 'should be no more than occasional since he was very conscious of Commission's independence'.[18] However, the Commission

[17] e.g. 8 November 2000, item 12
[18] AUS 1/2 1980-1984, p.266

evidently felt that as a result of devolution, MSPs lacked a thorough understanding of the Commission's remit and held little regard for its work. The meeting of 2002 thus assured the Commission that the Scottish Government was willing to take cognisance of the Commission's advice.

A media event was also held for interested parties by Audit Scotland on 4 December 2001. Over the course of the decade, the number of events or meetings the Chair attended with government ministers, Audit Scotland, and local councils and the fire and police boards hugely increased. This corresponded with an increase in the number of media meetings and interviews the Chair undertook. The prospect of holding Commission meetings in public in order to enhance transparency and openness was first aired on 15 April 2009 but it was not until 14 October 2010 that this was confirmed to begin in 2011.

As of 2000, Commission meetings ceased to be held on a monthly basis. On 11 September 2002, the Commission confirmed that it would meet every second month with the committees of the Commission (the Financial Audit and Assurance Committee and Performance Audit Committee) meeting if necessary in the intervening months. By 2005, brief summaries by various members of the Commission became a frequent item on the agenda, including the 'Chair's Introduction' and 'Deputy Auditor General's Introduction'. By 2008, the Controller of Audit was also giving a summary report at most Commission meetings. Increasingly, the minutes appeared as updates on sub-committees and summaries of actions to be taken within these sub-committees, as emphasised by the introduction of '*Action – action to be taken*' against items on the agenda.

The Last Five Years

The last five years has seen a focus on clarifying the Commission's position both with the public and with the public bodies it audits. This has been especially important since the 2008 economic crash, which focused public attention on how public bodies such as local councils have been spending public money. Awareness of this was highlighted on 16 September 2009 in discussion of a performance audit on the Commonwealth Games the Commission was concerned that emphasis be placed on 'the importance of contract management and the related risks, particularly in the context of the current economic conditions.'[19]

In 2010, the Commission also introduced a publication series titled, *How Councils Work*: *An Improvement Series for Councillors and Officers*, intended to act as a resource for councils in improving how they work. The first in the series 'Roles and working relationships: are you getting it right?' was published in summer 2010 and the second 'Arm's length external organisations: are you getting it right?' in June 2011. The increase in publications corresponds with an increase in use of digital media such as podcasts, as well as TV interviews.[20] Technology also became more central to the management of Commission business. On 18 October 2012, the Committee emphasised the usefulness of video-conferencing and agreed to put in place a secure portal (in 2013) to improve the access of members to information to help them fulfil their role.

[19] Account Minutes 2008-2015
[20] e.g. Chairman John Baillie's interview on the *Commissioning Social Care* report on 1 March 2012

Evolving responsibilities

Value for Money

In its earliest stages, the phrase 'Value for Money' was one that the Commission found highly problematic. On 9 August 1977, concerns centred on 'the fine distinction between the authority for a Council to spend on its legitimate functions (which the auditor could not question) and the effectiveness of such expenditure (on which the auditor might wish to comment).'[21] Further difficulties arose as the authorities resented the perceived interference of the external auditors, whom previously only intervened when activity appeared irregular or illegal.

After some discussion and debate in 1980, the role of auditing specific Value for Money exercises was accepted as part of the Commission's non-statutory remit. On 2 July 1981, the Commission agreed the first three Value for Money projects:

1. Glasgow sub-region of Strathclyde on provision of homes for the elderly (auditors: Coopers and Lybrand – maximum fee £7,500 plus £150 expenses).
2. Borders Regional Council on provision of education transport (auditors: Armitage and Norton – maximum fee £12,000 plus 20% expenses).
3. City of Edinburgh District Council on provision of scaffolding (auditors: Scott Moncrieff Thomson and Shiells – maximum fee £6,000, minimal expenses).

On 11 January 1995, the Value for Money function was acknowledged as an integral part of the Account Commission's auditory responsibilities. The *Local Government Act 1988* extended the Commission's remit to include a statutory Value for Money function (referred to as "economy, efficiency and effectiveness"). This statutory power affected the Commission's sensitivity to some negative reactions in local government, as the remit now had force of law. The remit was enhanced by the *Local Government Act 1992*, which required the Commission to require councils to publish information on their performance, allowing the Commission to prescribe indicators of performance. In recent years, the Commission has been keen on moving away from prescribing large amounts of indicators for councils to report upon, preferring instead for councils to develop their own information that is accessible to the public and that can be compared between councils.

Best Value

Best Value increasingly became, during the 2000s, a core element of the Commission's work, essentially extending the Commission's interest in the wider aspects of how councils used their resources, such as how they are led, how they involve communities, and how they make an impact in those communities. The *Local Government in Scotland Act 2003* placed a statutory duty of Best Value upon all 32 Scottish local authorities and the Commission introduced a round of audits of Best Value, covering all 32 Scottish councils. .[22] Best Value Audit reports became increasingly prominent in Commission meetings. In 2005 and 2006, there were several meetings specifically about Best Value Audit, alongside a drive to modernise and improve the auditing process. 2006 witnessed a

[21] AUS 1/1 1974-1979, pp. 106-07
[22] Burnham & Horton, *Public Management in the United Kingdom* (2012), p. 126

thorough review and revision of Best Value Audit process involving a three-phase strategy involving public consultation, independent review (by Cardiff and Edinburgh Universities, published 2007), and meetings with council leaders and chief executives. The review found that the Best Value audit framework would benefit from further improvement in order to align the expectations of the Commission with those of the councils and remove inconsistency in the experiences between councils.[23] A Best Value Improvement Plan was approved on 18 June 2008, with a focus on public and customer interest, and an increased focus on measurable or quantifiable outcomes. Assessing the impact of Best Value Audit a year later in 2009, Audit Scotland suggested the statutory audit duty (of 2003) combined with the revised process had generated a positive change in the operation of Scottish local authorities both in enforcing a 'more systematic approach to improving performance' and encouraging 'medium to long-term planning.'[24] In 2014, the Commission reflected that the increasingly complex nature of how services are provided by councils and their partners, and the current age of austerity, required a further rethink in what Best Value means, and thus it signalled its intention to again review the approach to auditing Best Value.

The NHS, devolution and public audit

The *National Health Service and Community Care Act 1990* granted the Commission the power to audit all NHS bodies in Scotland. This power was not fully transferred to the Commission until 1995.[25] As with the local authorities, the Commission received and reviewed numerous SRs from the Controller of Audit on the NHS. Unlike in the case of local authorities, the Commission did not have a quasi-judicial ability to take the NHS to offer recommendations to the Scottish Government. This raised issues of public accountability, especially as SRs regarding the NHS were not available for public inspection.[26]

The incorporation of auditing the NHS greatly expanded the remit of the Commission. This is evident in the 11 February 1998 discussion of the Ovarian Cancer Services Report on developing the process by which patients were treated.

But the advent of Scottish devolution required a new approach to public audit in Scotland. In 2000, responsibility for NHS audits was transferred to the newly created Auditor General for Scotland. Between them, the Commission and the Auditor General now account for all of public audit covering 200 public bodies in Scotland, including the Scottish Government, central government bodies, the NHS in Scotland, local authorities, further education colleges, and joint health and social care boards.

Joining up and improving scrutiny

In 2007, the Crerar report on the audit, inspection and regulation of public services in Scotland highlighted the need for better co-ordination of such scrutiny.[27] In 2008, the Scottish Government asked the Commission to assume such a co-ordinating role. The Commission now brings together a

[23] Grace, et al, *Independent review of the Best Value Audit process* (2007)
[24] Audit Scotland, *Making an Impact* (2009), p. 5
[25] Rodden, *Twenty-Five Years of the Accounts Commission* (1999), p. 7
[26] Rodden, *Twenty-Five Years of the Accounts Commission* (1999), p. 19
[27] Crerar, *Report of the Independent Review of Regulation, Audit, Inspection and Complaints Handling of Public Services in Scotland* (2007)

range of bodies responsible for such scrutiny, with bodies working together to gauge the risks faced by each council and the scrutiny required to respond to these risks. Annual plans of the scrutiny for each council area are now published. In this valuable work, the Commission and its scrutiny partners have significantly reduced the cost and 'footprint' – and improved the impact - of scrutiny activities.

The changing landscape: community planning and joint health and social care

Public service reform in Scotland has increasingly seen public bodies working closer together. The Commission's role has evolved substantially recently to address such changes. Community planning has been a duty on public bodies since 2003. In 2012, the Scottish Government asked the Commission, jointly with the Auditor General, to audit community planning partnerships. In 2013, the Commission was also given responsibility for auditing the bodies set up to take forward the Scottish Government's ambitions to join together council social care with health services.

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