

454th meeting of the Accounts Commission for Scotland
Thursday 7 February 2019, 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 11 to 14 in private (* see note).
 4. **Minutes of meeting of 10 January 2019**
 5. **Audit Scotland Board update:** The Commission will consider a report by the Secretary to the Commission.
 6. **Update report by the Secretary to the Commission:** The Commission will consider a report by the Secretary to the Commission.
 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. **Financial devolution and European Union withdrawal: six-monthly update:** The Commission will consider a draft report by the Director of Performance Audit and Best Value.
 9. **Revised form of independent auditor's reports for 2018/19:** The Commission will consider a report by the Associate Director (Audit Quality and Appointments).
 10. **Work programme: consultation outputs:** The Commission will consider a report by the Secretary to the Commission.
- The following items are proposed to be considered in private:****
11. **Local Government Benchmarking Framework: draft annual report 2017/18:** The Commission will consider a report by the Secretary to the Commission.
 12. **Overview of local government in Scotland: draft report:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 13. **How councils work - Protecting public money: draft report:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 14. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 11 to 14 be considered in private because:

- Item 11 presents a draft report from the Local Government Benchmarking Framework which is not yet published and thus not in the public domain. The Commission is receiving the draft report for its information and to allow it to take the report into consideration as it considers its Local government overview report (item 11).
- Item 12 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 13 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 14 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 10 January 2019	AC.2019.2.1
Agenda Item 5: Report by Secretary to the Commission	AC.2019.2.2
Agenda Item 6: Report by Secretary to the Commission	AC.2019.2.3
Agenda Item 8: Report by Director of Performance Audit and Best Value	AC.2019.2.4
Agenda Item 9: Report by Secretary to the Commission	AC.2019.2.5
Agenda Item 10: Report by Secretary to the Commission	AC.2019.2.6
Agenda Item 11: Report by Director of Performance Audit and Best Value	AC.2019.2.7
Agenda Item 12: Report by Director of Performance Audit and Best Value	AC.2019.2.8
Agenda Item 13: Report by Director of Performance Audit and Best Value	AC.2019.2.9

MEETING: 7 FEBRUARY 2019

MINUTES OF PREVIOUS MEETING

Minutes of the 453rd meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 10 January 2019, at 10.15am

PRESENT: Graham Sharp (Chair)
 Andrew Burns
 Andrew Cowie
 Sophie Flemig
 Sheila Gunn
 Ronnie Hinds
 Christine Lester
 Tim McKay
 Stephen Moore
 Sharon O'Connor
 Pauline Weetman
 Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
 Mark McCabe, Audit Manager, PABV (Item 10)
 Zahrah Mahmood, Senior Auditor, Audit Services (Item 8)
 Richard Robinson, Senior Manager, PABV (Item 9)
 Kathrine Sibbald, Audit Manager, PABV (Item 8)
 Claire Sweeney, Audit Director, PABV (Items 8 and 10)

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 6 December 2018
5.	Audit Scotland Board verbal update
6.	Update report by the Secretary of the Commission
7.	Update report by the Controller of Audit
8.	Annual Assurance and Risk Report
9.	Briefing: the 2019/20 Budget
10.	Strategic Scrutiny Group update
11.	Commission business matters

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest was made:

- Ronnie Hinds, in item 8, as a former chief executive of Fife Council, in relation to references to the Dunfermline Flood Prevention Scheme.
- Stephen Moore, in item 8, as a former chief officer of Fife Council, in relation to references to the Dunfermline Flood Prevention Scheme.

3. Decisions on taking business in private

It was agreed that item 10 be considered in private because it presents an update on discussions with strategic scrutiny partners which may include confidential policy matters that the Commission would wish to discuss in private before proceeding.

No business was notified by members for item 11 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 6 December 2018

The minutes of the meeting of 6 December 2018 were approved as a correct record.

Arising therefrom:

- In relation to item 4 (first bullet point), the Commission noted advice from the Director of PABV that further information on matters around rent arrears and Universal Credit would be provided at the next meeting.

Action: Director of PABV

- In relation to item 4 (second bullet point), the Commission noted advice from the Director that he would discuss with the Secretary how best to ensure the Commission is kept apprised of English local authority funding.

Action: Director of PABV

- In relation to item 8 (fourth bullet point), the Commission noted advice from the Secretary that information on levels of full-day nursery care in Scotland were set out in his update report to the Commission.
- In relation to item 8 (fifth bullet point), the Commission noted advice from the Director of PABV that there was some potential impact on Scottish public services of current financial difficulties being experienced by Allied Healthcare, although service provision in Scotland by the company is relatively limited, and the matter of social care sustainability would be subject of a proposed performance audit in 2020/21 as part of the Commission's work programme.
- In relation to item 10, the Commission noted advice from the Secretary that its Statutory Performance Information Direction was published on 18 December 2018.
- In relation to item 12 (third bullet point), the Commission noted advice from the Secretary that letters had been sent to chief executives and trade union stakeholders seeking their views on the proposed refresh of the work programme, a report on which would be considered at its next meeting.

5. Audit Scotland Board verbal update

The Chair advised that the minutes of the most recent meeting of the Audit Scotland Board on 28 November 2018 were not yet available. He therefore provided a verbal update on the business discussed at that meeting.

The Commission noted the update.

6. Update report by the Secretary to the Commission

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

During discussion, the Commission:

- In relation to paragraph 40, noted advice from the Secretary that the 2017/18 audit of the Scottish Government's consolidated accounts was an Auditor General report, and not a joint report as stated.
- In relation to paragraph 31, and in response to a query from Stephen Moore, agreed that further information on the Scottish employment rate be provided.

Action: Secretary

- In relation to paragraph 37, noted advice from the Secretary that the Commission had provided the Local Government and Communities Committee with the information that it had requested, which had been shared with Commission members on their online portal.
- In relation to paragraph 38, noted advice from the Secretary that he was discussing with the clerk of the Local Government and Communities Committee any Commission input into its proposed evidence sessions set out in the Committee's work plan.
- In relation to paragraph 44, and in response to a query from Sheila Gunn, agreed that the Secretary further consider the appropriateness of a response to the consultation by the Scottish Parliament's Economy, Energy and Fair Work Committee on the construction sector in Scotland.

Action: Secretary

- In relation to paragraph 47, and in response to a query from Stephen Moore, noted advice from the Secretary that the Improvement Service project to support councils on transformation was still at an early stage, and thus the Commission would monitor developments in this regard.

Action: Secretary

- In relation to paragraph 52, noted advice from the Controller of Audit that City of Edinburgh Council had approved a settlement agreement with Edinburgh Schools Partnership, further details on which he would report to the Financial Audit and Assurance Committee at its next meeting.

Action: Controller of Audit

- In relation to paragraph 64, noted advice from the Secretary that the UK Secretary of State for Local Government announced the provisional local government settlement on 13 December, upon which he would report further in his next update report.

- In relation to paragraph 75, and in response to a query from Tim McKay, agreed that further information be provided on bed occupancy rates in Scotland.

Action: Secretary

Thereafter, the Commission noted the report.

7. Update report by the Controller of Audit

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

During discussion, the Commission noted advice from the Secretary that letters sent by the Controller of Audit to each council and integration joint board chief executive advising of the outcome of his review of annual audit reports had been placed on the members' online portal.

8. Annual Assurance and Risk Reports

The Commission considered a report by the Secretary introducing the Controller of Audit's Annual Assurance and Risks Report (AARR).

During discussion, the Commission:

- Agreed that as part of its discussions around its refreshed strategy, it consider:
 - Progress made by councils in relation to shared services.
 - Its approach to auditing and reporting upon the performance of health and social care integration joint boards.
 - Its approach to auditing and reporting upon transformation, including how good practice in this regard is identified.
 - How its approach to auditing digital transformation fits with its strategic audit priorities.
 - Its approach to auditing and reporting upon councils' risk appetite in reshaping their services.
- In relation to paragraph 19, agreed that:
 - It considers at its forthcoming Strategy Seminar the observations made by the Controller of Audit on its strategic audit priorities.
 - Specifically, in relation to its approach to auditing and reporting upon councils' approach to community empowerment, to further discuss the matter with the Controller of Audit and engage with other stakeholders such as the Improvement Service.
- In relation to paragraph 34, agreed that:
 - It states in its local government overview report its firm view that a vacancy for council chief executive should be subject to external and open competition.
 - Such a view feature in the next iteration of annual planning guidance for auditors.

Actions: Secretary

Following discussion, the Commission agreed to endorse the Annual Audit and Assurance Report and thereby the assurance provided by the Controller of Audit on his reporting to the Commission of matters arising in audit work.

9. Briefing: The 2019/20 Budget

The Commission considered a report by the Director of PABV providing a briefing on the Scottish Government's Budget 2019/20, highlighting some of the key implications for local government finances

During discussion, the Commission, in relation to paragraphs 11 and 17 of the briefing paper, agreed that further information be provided on the funding and spending figures presented in the budget.

Action: Director of PABV

Thereafter, the Commission noted the report.

10. Strategic Scrutiny Group update

The Commission considered a report by the Director of PABV updating the Commission on the work of the Strategic Scrutiny Group.

During discussion, the Commission:

- Endorsed the recommendations set out in the report for consideration by the Strategic Scrutiny Group.
- Noted advice from the Director that an update on such consideration, to be done by the Strategic Scrutiny Group initially at its next meeting in February, will be made to the Commission at its March meeting.
- Agreed further in this regard that further consideration be given at that time as to how to engage with council and government stakeholders regarding progress.
- Agreed that further information be provided, particularly for use by new members, on the governance and planning process involved in strategic scrutiny.

Actions: Director of PABV

Thereafter, the Commission noted the report.

11. Commission business matters

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

MEETING: 7 FEBRUARY 2019

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND BOARD UPDATE

Purpose

1. This report provides an update on the business of the Audit Scotland Board.

Background

2. Audit Scotland is established in statute to “provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions”.¹
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.² These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.³
4. As well as being a member of Audit Scotland’s Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.
5. In *Public Audit in Scotland*⁴, the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that “by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.”
6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland Board.

Current Board business

7. This report provides the Commission with the latest available minutes from the meeting of the Audit Scotland Board, in this case the meeting of 28 November 2018. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 29 January 2019, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 18 March 2019 and considered by the Commission at its April meeting.

¹ Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

² Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

³ The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland’s proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor’s report before the Parliament; and (d) appoint three of the five members of Audit Scotland’s Board , including its Chair.

⁴ *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest, and invites questions from members to this end.

Conclusion

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

Paul Reilly
Secretary to the Commission
29 January 2019

Minutes



Wednesday 28 November 2018, 12.00pm

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

I Leitch (Chair)
C Gardner
G Sharp
H Logan
A Alexander

Apologies:

None

In attendance:

D McGiffen, Chief Operating Officer
M Walker, Associate Director, Corporate Performance and Risk
M Roberts, Senior Manager, Performance Audit and Best Value (item 9)
R Seidel, Audit Manager, Performance Audit and Best Value (item 9)
S Dennis, Corporate Finance Manager (item 11)
A Devlin, Corporate Governance Manager (item 14)
J Webber, Senior Executive Assistant

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 26 November 2018.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The members noted there were no items to be taken in private.

4. Chair's report

Ian Leitch provided a verbal update on regular meetings with Caroline Gardner and Diane McGiffen on general business matters and parliamentary staff in advance of the 2019/20 budget submission to the Scottish Commission for Public Audit (SCPA).

The members welcomed the update.

5. Accountable Officer's report

Caroline Gardner provided a verbal update on a very busy period for Audit Scotland.

Caroline invited members to note the recent publication of a report on Health and Social Care Integration and statutory reports on the Scottish Police Authority and Community Justice Scotland. She also advised of the pending publication of a statutory report on NHS Tayside.

Caroline advised of upcoming evidence sessions at the Public Audit and Post Legislative Scrutiny Committee (PAPLS) on the Scottish Government Consolidated Account, Health and Social Care Integration and Community Justice Scotland.

Caroline also advised of recent engagement with the National Audit Office on HMRC's administration of Scottish Income Tax, where reports will be published by on 30 November 2018 and on the ongoing discussions on the Audit and Accountability Framework regarding the devolved financial powers and fiscal framework. She also advised that meetings had taken place with a range of MSPs and parliamentary officers as part of an ongoing programme of engagement.

Caroline updated the Board on a recent meeting of the UK and Ireland's Supreme Audit Institutions and advised that she would be attending the Scottish Public Services Awards on 5 December 2018.

The Board welcomed the update.

6. Accounts Commission Chair's report

Graham Sharp invited the Board to note that the Accounts Commission meeting on 8 November 2018 had considered the Statutory Performance Information: Draft 2018 Direction and the Best Value Assurance Report on Dumfries and Galloway Council. He also provided an update on the Accounts Commissions discussions following its mid year strategy seminar.

Graham advised that the Local Government Finance Overview Report would be published on 29 November and that the parliament's Local Government and Communities Committee would take evidence on the report at its meeting on 12 December 2018.

He also advised that the Commission's Financial Audit and Assurance and Performance Audit committees had met on 22 November. The committees had included presentations from audit providers, reports on audit quality and future publications.

Graham invited members to note that the agenda for the forthcoming Accounts Commission meeting on 6 December 2018 included consideration of the five year rolling work programme and reports on housing benefits, local government audit fees and the emerging messages for the Local Government Overview Report.

Graham advised of other meetings arising from the Commission's work including; a meeting with representatives of East Lothian Council on the recent Best Value Assurance Report, a meeting of the Strategic Scrutiny Group and meetings with MSPs and officers from the Scottish Government and COSLA.

The Board welcomed the update.

7. Review of minutes

Board meeting, 31 October 2018

The Board considered the minutes of the meeting of 31 October 2018, which had been previously circulated, and agreed that these were an accurate record of the meeting, subject to the correction of typographical errors in sections six and 11.

8. Review of actions tracker

The Board noted the updates provided by the action tracker.

9. New financial powers and constitutional change update

Mark Roberts, Senior Manager, and Rebecca Seidel, Audit Manager, joined the meeting.

Mark Roberts, Senior Manager, and Rebecca Seidel, Audit Manager introduced the New financial powers and constitutional change update report, which had been previously circulated.

The Board noted that the subject was very dynamic in nature and discussed a range of issues, seeking clarification from the officers present. The discussion included consideration of the scenarios for agricultural funding and the possible impact on the auditing requirements, audit work in audited bodies on levels of preparedness (and how a similar exercise had been carried out on Audit Scotland's own preparedness), how Audit Scotland was facilitating discussions amongst stakeholders and the potential impact in different areas of the public sector.

The Board welcomed the update.

Mark Roberts, Senior Manager, and Rebecca Seidel, Audit Manager, left the meeting

10. Digital Economy Act 2017

Diane McGiffen, Chief Operating Officer, introduced a report on the Digital Economy Act 2017, which had been previously circulated.

The Board discussed how Audit Scotland's work supported the prevention of fraud, the protection of public funds and the required safeguards for data handling.

Following discussion, the Board welcomed the report.

11. Q2 Financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager introduced the Q2 financial performance report, which had been previously circulated.

Following discussion, the Board welcomed the report.

Stuart Dennis, Corporate Finance Manager, left the meeting

12. Q2 Corporate performance report

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q2 corporate performance report, which had been previously circulated.

Alan Alexander sought clarification on the colour coding used in the report and Heather Logan noted that minor amendments to the phrasing in some areas would help any external readers of the report.

Following discussion, the Board welcomed the report.

13. Q2 Becoming world class improvement programme report

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Q2 Becoming world class improvement programme report, which had been previously circulated.

Heather Logan sought clarification on how the benefits and costs of the improvement projects was considered.

Following discussion, the Board welcomed the report.

14. Annual review of corporate governance policies

Alex Devlin, Corporate Governance Manager, joined the meeting.

Alex Devlin, Corporate Governance Manager introduced the reviews of corporate governance policies paper, which had been previously circulated.

Alex advised that the proposed amendments were minor and had been made to reflect changes to job titles. He also advised that the amendments had been considered, and were being recommended by, the Audit Committee.

Following discussion, the Board welcomed the report and approved the proposed amendments.

The Chair noted that, due to his forthcoming retirement, this was the last Board meeting that Alex would attend. The Chair, on behalf of the Board, thanked Alex for his many years of valued service and wished him well in his retirement.

Alex Devlin, Corporate Governance Manager, left the meeting.

15. Any other business

There was no further business.

16. Review of meeting

The members agreed that business had been focussed and considered and the Chair thanked everyone for their contributions.

17. Date of next meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Tuesday 29 January 2019 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Agenda



Tuesday 29 January 2019 at 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

1. Welcome and apologies
 2. Declarations of interests
 3. Decision on items to be taken in private For approval
-

Standing items

4. Chair's report – verbal update
 5. Accountable Officer's report – verbal update
 6. Accounts Commission Chair's report – verbal update
 7. Review of minutes: Board meeting 28 November 2018
 8. Review of action tracker
-

Strategy and planning

9. Scottish Commission for Public Audit's report on Audit Scotland's Budget Proposal for 2019/20 For information
10. Review of regulator/audit market study update For information
11. Professional Support: update For information
12. New financial powers and constitutional change update For information
13. Best Companies survey results For information
14. Audit Scotland conference 2019 - verbal update For information

Conclusion

15. Any other business

16. Review of meeting

17. Date of next meeting: 18 March 2018

Items to be taken in private

18. Leased cars procurement
[Item to be taken in private due to commercial sensitivity]

For approval

19. Stakeholder engagement update
[Item to be taken in private to support the effective conduct of business]

For information

MEETING: 7 FEBRUARY 2019

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. Audit Scotland collects [media coverage](#) on all the reports published by the Accounts Commission. Audit Scotland also provides a weekly summary of the [key media stories regarding local government](#). Both are available through Audit Scotland SharePoint, on the Accounts Commission Members' Extranet.
5. The download statistics of the reports published over the last 12 months (as at 25 January) are set out in the **Appendix**.

Previous business

6. At its meeting on 8 November 2018, the Commission noted in the Secretary's update report the publication of a Citizens Advice Scotland report [Rent Arrears: Causes and consequences for CAB clients](#), which highlighting the rise in people seeking advice on housing arrears, predominantly caused by a move onto Universal Credit. The Commission noted advice from the Director of PABV that he would report further on the matter. Audit Scotland has looked at the changes in housing arrears figures as reported in the audited accounts. Overall rent arrears have increased 9 per cent from 2016/17 but there is significant variation between councils ranging from an increase of 27 per cent to a decrease of 33 per cent. There is a slight pattern showing councils whose tenants have moved onto Universal Credit have experienced larger increases in rent arrears, but this is not consistent across all councils and several other factors are at play including changes to Universal Credit, mitigations being introduced, and differences in context. The Housing Benefit Performance Audit team intend to investigate this further to look for links and to review evidence available from individual councils – for example this report on [Council House Rent Arrears](#) from East Lothian

Council where people were the first to move onto Universal Credit in Scotland. The paper on the future of the Housing Benefit Performance Audit presented to the Commission at its meeting on 6 December 2018 provides more information about the approach to this audit.

7. At its previous meeting, the Commission agreed that the Secretary further consider the appropriateness of a response to the consultation by the Scottish Parliament's Economy, Energy and Fair Work Committee [on the construction sector in Scotland](#). The consultation is to inform the committee's inquiry in this regard, which is to understand the characteristics and challenges of Scotland's construction sector to ensure the sector realises its full potential in contributing to a productive and inclusive Scottish economy. Specific areas of focus will include: economic impact; access to finance; skills; procurement; infrastructure investment; and innovation. In consultation with Audit Scotland, it is advised that whilst there is potential interest in the consultation in relation to several areas of our work, there is little by way of direct audit findings or evidence which would be of relevance to the consultation or inquiry. A watching brief will however be kept on issues of relevance to the work programme. It is therefore recommended not to engage in the consultation.
8. At its previous meeting the Commission, in considering an update in the Secretary report on the Scottish Parliament Information Centre (SPICe) report [Labour market update: December 2018](#), and in response to a query from Stephen Moore, agreed that further information on the Scottish employment rate be provided. The employment rate is the proportion of people aged from 16 to 64 years who are in work. Employment measures the number of people in work; it differs from the number of jobs because some people have more than one job. In essence, the employment rate covers employees, self-employed people, unpaid family workers and people on government supported training and employment programmes. The [monthly UK monthly regional labour market statistics report](#) contains a full definition of the employment rate.
9. At its previous meeting, the Commission, in considering an update in the Secretary report on the PwC report [Who cares? Building the care workforce of the future](#), agreed that further information be provided on bed occupancy rates in Scotland. ISD Scotland defines rates as being the percentage of available staffed beds occupied by inpatients within a specialty/significant facility over any period of time. Detailed information on annual trends are available on the [ISD Scotland website](#).

Other business

10. On 10 December, the Competition and Markets Authority (CMA) [published an update paper](#) outlining significant competition concerns and proposing changes to legislation to improve the audit sector for the benefit of savers and investors alike. It is now putting these proposals out for public consultation. Following the launch of its [market study](#) in October, the CMA has identified a number of reasons why it believes audit quality is compromised:
 - companies choose their own auditors, resulting in evidence of them picking those with whom they have the best 'cultural fit' or 'chemistry' rather than those who offer the toughest scrutiny
 - choice is too limited, with the Big Four audit firms conducting 97% of the audits of the biggest companies
 - auditors' focus on quality appears diluted by the fact that at least 75% of the revenue of the Big Four comes from other services like consulting.

To address these concerns, the CMA is proposing legislation to: separate audit from consulting services; introduce measures to substantially increase the accountability of

those chairing audit committees in firms, and impose a 'joint audit' regime giving firms outside the Big Four a role in auditing the UK's biggest companies.

11. On 18 December, the report of the review of the [Financial Reporting Council \(FRC\) carried out by Sir John Kingman](#) on behalf of the Department for Business, Energy, and Industrial Strategy, was published. The objective of the review was to ensure that the FRC's structures, culture, processes and powers are fit for purpose. The review focuses on audit in the private sector but includes reference to local public audit in England. The review recommends that the FRC be replaced with an independent statutory regulator, accountable to Parliament, with a new mandate, clarity of mission, leadership and powers. The new regulator would be called the Audit, Reporting and Governance Authority. The Government has indicated that it will take forward this recommendation.
12. The Financial Audit and Assurance Committee will consider the implications of these reports at its February meeting.

Auditor General for Scotland

13. On 20 December the Auditor General published her section 22 report [The 2017/18 audit of Scottish Social Services Council: Governance and transparency](#)¹. The report found that the Scottish Social Services Council (SSSC) had failed to meet the expected standards of governance and transparency in its decision to withdraw from a shared services agreement, implementing a digital transformation strategy, and in the management of this transformation project. The SSSC's planning, reporting and monitoring of the digital transformation project were inadequate, and the council failed to fulfil its scrutiny role.

Audit Scotland

14. Audit Scotland has identified a significant risk in respect of councils' repayments of their loans fund advances. Loans funds were initially established under the Local Government (Scotland) Act 1975 as a mechanism for recording internal advances to match the capital expenditure that is financed from external borrowing. They also record the internal repayment of those advances. The repayments are important because they are charged to the council's general fund. New regulations came into force on 1 April 2016 supported by statutory guidance and replaced the 1975 Act for advances made after that date. Discussions between auditors and some councils are ongoing about how these regulations apply to advances pre-dating the regulations. A paper setting out more information on this issue will be provided to the Financial Audit and Assurance Committee at its February meeting.
15. At its meeting on 9 June 2018, the Commission considered and noted Audit Scotland's report on the [National Fraud Initiative in Scotland 2016/17](#) and agreed to promote the report and a number of specific messages arising therefrom. The NFI team has been promoting the work in the following ways:
 - Media promotion upon publication of the report
 - Development of a [counter-fraud hub](#) on Audit Scotland's website
 - Informing key NFI contacts and auditors in participating bodies about a [breakdown of key outcomes data](#) in the report on Audit Scotland's website

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).

- Attending external events and hosting engagement events to promote the findings of the 2016/17 report
- Promoting further work associated with the NFI e.g. through the use of case studies including the good practice example in the NFI report on duplicate and erroneous payments to creditors and the social care pilot in East Dunbartonshire Council (which has now been rolled out to all NFI participants on a voluntary basis).

From February 2019, auditors will review participating bodies' arrangements for the NFI as well as progress made with reviewing matches for the 2018/19 exercise. This will include reviewing the commitment to the NFI from audit committees and senior management. Auditors' findings and recommendations will feature in the auditors' annual audit reports and the next NFI report, scheduled for summer 2020. The NFI team is currently also developing data matching pilots aimed at identifying and preventing fraud and error not currently included in the NFI.

16. On 21 January the Scottish Commission for Public Audit published [Audit Scotland Budget Proposal for 2019/20](#). The Commission recommended to the Scottish Parliament that Audit Scotland's budget proposal for 2019/20, including the request for a total resource requirement of £7.6 million, be approved.
17. On 23 January Commission member Geraldine Wooley was the guest at the latest in the series of Audit Scotland Knowledge Cafes on Women in Leadership.
18. The Audit Scotland annual conference took place on 30 January 2019. The theme of the conference was trust in audit and speakers included Professor John Curtice, professor of Politics at Strathclyde University and Senior Research Fellow, National Centre / Scottish Centre social research; and CIPFA President Sarah Howard. Chair of the Accounts Commission Graham Sharp participated in a panel session on trust in public audit. Some Commission members also attended the event.

Issues affecting local government

Scottish Government

19. On 18 December the Scottish Government published [A Connected Scotland: our strategy for tackling social isolation and loneliness and building stronger social connections](#), which aims to increase connections between individuals and within communities. Local authorities are expected to play a role in the realisation of the strategy.
20. On 19 December the Scottish Government published [Scotland's GDP 2018, Quarter 3 First Estimate](#). It reported that Scotland's Gross Domestic Product (GDP) grew by 0.3 per cent in real terms during the third quarter of 2018, following growth of 0.5 per cent in the second quarter of 2018. The equivalent growth rate for the UK as a whole during the third quarter was 0.6 per cent.
21. On 19 December the Scottish Government published [A blueprint for 2020: The expansion of early learning and childcare in Scotland](#). The scheme, which will be introduced from August 2020, aims to ensure every child attending a funded early learning and childcare session will receive a healthy meal, access to outdoor play sessions, and will enable providers to pay all childcare workers delivering the sessions at least the real Living Wage. In its draft work programme, to be considered at today's meeting, the Commission is committing to a follow-up audit in 2019/20 to its February 2018 [performance audit report](#) in this regard.

22. On 19 December the Scottish Government published its programme for government delivery plan for mental health, [Better mental health in Scotland](#). It states: 'the recent Audit Scotland report on children and young people's health highlighted that there is often too great a focus on crisis and specialist services at the expense of early intervention and prevention' and commits to a focus on prevention and quick treatment. In its draft work programme, to be considered at today's meeting, there is a commitment to an impact report in 2020/21 to its September 2018 [performance audit report](#) in this regard.
23. On 19 December the Scottish Government announced that [£4 million was being made available to fund eighty more mental health workers to work with children and young people in Scotland](#). The additional staff will be made up of psychologists, nurses, allied health professionals and administrators and will support improvements to mental health care and help reduce pressure on children's and young people's mental health services (CAMHS).
24. On 20 December the Scottish Government published [Fairer Scotland action plan: progress report 2018](#), which sets out progress against the 50 actions outlined in the plan. It recognises that although progress has been made in the last year, there is still more work to do towards building a fairer and more prosperous Scotland for all.
25. On 7 January the Scottish Government announced that it will be making an [additional £50 million investment in the Tay cities region](#) to support manufacturing businesses and the delivery of the Cross Tay Link Road. The funding is in addition to the Scottish Government's £150 million commitment to the Tay Cities Region Deal.
26. On 16 January the Scottish Government announced the launch of a [consultation on the key eligibility criteria and format of the Job Grant](#), a new benefit which will be delivered by Social Security Scotland to support young people moving back into employment. The benefit consists of a one-off cash payment of £250, or £400 for a person with children, which will be available to those between 16-24 who were out of work for six months prior to finding employment. Submissions are being accepted until 9 April.
27. On 23 January the Scottish Government published [Review of Personal and Social Education: Preparing Scotland's children and young people for learning, work and life](#). The guidance outlines that all children and young people should have frequent and regular opportunities to discuss their learning with an adult who knows them well and can act as a mentor, helping them to set appropriate goals for the next stages in their learning. It emphasises that all children and young people should experience personalisation and choice within their curriculum, including identifying and planning for opportunities for personal achievement in a range of different contexts.
28. On 25 January the Scottish Government announced that it is committing to building [50,000 new affordable homes in the course of the current parliament](#), which will be supported by £826 million through the 2019/20 Scottish Budget. The funding will be made available through the Affordable Housing Supply Programme and is a £70 million increase on the current year.

Scottish Parliament

29. On 19 December the Scottish Parliament Information Centre (SPICe) published its briefing [Local Government Finance: Budget 2019-20 and provisional allocations to local authorities](#), which reported that local authorities are getting a real-terms cut of £319 million in their non-ringfenced revenue budget for services. This document was

referred to in the briefing that the Commission received on the Scottish Budget at its meeting in January.

30. On 19 December SPICe published its briefing on the [South of Scotland enterprise bill](#). The launch of the new South of Scotland Enterprise (SoSE) agency will see the biggest change to the economic development landscape of Scotland since the reforms of 2007 and 2008. This briefing looks at the various provisions of the Bill and finishes with an analysis of the Financial Memorandum, which is largely modelled on the costs and staffing levels of Highlands and Islands Enterprise.
31. On 15 January SPICe published its briefing [Scottish Government infrastructure investment](#). It reports that since 2007, Scottish Government-led infrastructure projects worth £11.1 billion have been completed, and that a further £3.7 billion of capital projects are currently under construction. The briefing includes an overview of various types of capital spending by local authorities.
32. On 23 January SPICe published its [Labour market update: January 2019](#) which provides an overview of the Scottish labour market from the latest regional labour market statistics and UK labour market statistics published by the Office for National Statistics (ONS). The data show that the number of people unemployed in Scotland has fallen below 100,000 for the first time since comparable records began, and that the Scottish unemployment rate of 3.6 per cent is also the lowest since comparable records began. The rate in the UK is four per cent.
33. At First Minister's Questions on 24 January Deputy leader of the Scottish Conservative Party Jackson Carlaw mentioned Audit Scotland, saying that there was a £900 million maintenance backlog in the NHS, almost half of which was defined as high risk. He said Audit Scotland had found the Scottish Government had not planned investment to address this problem but First Minister Nicola Sturgeon argued there would always be maintenance work required on the health estate. She provided information about how the Scottish Government was providing funding and working with health boards to address the backlog, adding that it worked to respond to all Audit Scotland recommendations. Jackson Carlaw came back to Audit Scotland's concern about the lack of planned investment, calling for action to ensure the long-term sustainability of the NHS. The First Minister said a capital investment plan would be published before the end of the current financial year and the Scottish Government wanted to maximise the resources being given to frontline health services.

Parliamentary Committee News

Local Government and Communities Committee

34. On 19 December the committee took evidence on the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill from a range of stakeholders. On 16 January the committee considered a draft Stage 1 report of the Bill. Various changes were agreed to and the Committee agreed to consider a further draft at its next meeting.
35. On 19 December the committee took evidence on the Housing (Scotland) Act 1987 (Tolerable Standard) (Extension of Criteria) Order 2019 [draft], and agreed to a motion by Minister for Local Government, Housing and Planning Kevin Stewart that the Order be approved.
36. On 9 January the committee took evidence on the Scottish Government's Budget 2019-20 stakeholders from COSLA and SOLACE Scotland, as well as from Derek Mackay, Cabinet Secretary for Finance, Economy and Fair Work, Aileen Campbell, Cabinet Secretary for Communities and Local Government, and Graham Owenson,

Head of Local Government Finance, Scottish Government. The committee considered and noted the evidence heard and agreed to consider a draft letter to the Scottish Government at a future meeting.

37. On 23 January the committee:

- Took evidence from a range of stakeholders on the [Scottish Public Services Ombudsman Annual Report and Accounts 2017-18](#) and considered the evidence. The Conservatives have highlighted an increase in the number of public sector complaints in the last year. The committee agreed to write to the Scottish Government in relation to issues raised during the evidence session.
- Considered the following negative instrument – The Redemption of Heritable Securities (Excluded Securities) (Scotland) Order 2018 (SSI 2018/376). The committee agreed to make no recommendation in relation to the instrument. The committee also agreed to write to the Scottish Government.
- Further considered and agreed a draft Stage 1 report of the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill, and agreed the arrangements for its publication.
- Considered and agreed a draft letter to the Scottish Government on Budget Scrutiny 2019-20.
- Considered its work programme and agreed: witnesses for a forthcoming evidence session on staff absences in local authorities; witnesses for a forthcoming evidence session on city region deals; and to hold an evidence session with the Accounts Commission on its forthcoming local government overview report.

Public Audit and Post Legislative Scrutiny Committee

38. On 13 December the committee took evidence on the Auditor General for Scotland's report the [2017/18 audit of NHS Tayside](#) from Auditor General Caroline Gardner, Audit Director Fiona Mitchell-Knight, Senior Manager Leigh Johnston, and Senior Audit Manager Bruce Crosbie. The committee also agreed to invite the Chair, the Chief Executive and Assistant Chief Executive of NHS Tayside, the Scottish Government and the Central Legal Office to give oral evidence at a future committee meeting.

39. On 20 December the committee:

- Took evidence on the Auditor General for Scotland's Section 22 reports [The 2017/18 audit of NHS Highland: Financial sustainability](#) and [The 2017/18 audit of NHS Ayrshire and Arran: Financial sustainability](#) from John Burns, Chief Executive, NHS Ayrshire and Arran, and Professor Elaine Mead, Chief Executive, NHS Highland. The committee also took further evidence from Auditor General for Scotland Caroline Gardner, Audit Director Claire Sweeney, and Senior Manager Leigh Johnston.
- Took evidence on the Auditor General's report [NHS in Scotland](#) 2018 from Paul Gray, Director-General Health and Social Care, Scottish Government and Chief Executive, NHS Scotland; Christine McLaughlin, Director of Health Finance; Shirley Rogers, Director of Health Workforce and Strategic Change, and Dr Catherine Calderwood, Chief Medical Officer, Scottish Government. The committee also took further evidence from Auditor General for Scotland Caroline Gardner, Audit Director Claire Sweeney, and Senior Manager Leigh Johnston.

- Considered the work programme and agreed a letter to the Scottish Police Authority in relation to the Auditor General for Scotland's report on the [2017/18 audit of the Scottish Police Authority](#).
- 40. On 10 January the committee took evidence from stakeholders on the Freedom of Information (Scotland) Act 2002 and considered the evidence. The committee agreed to undertake post-legislative scrutiny of the Freedom of Information (Scotland) Act 2002. The committee also agreed its work plan and agreed to write to the New College Lanarkshire Board and then close its scrutiny of the Auditor General for Scotland's report [The 2016/17 audit of New College Lanarkshire](#). The committee agreed to close its scrutiny of the Auditor General for Scotland's report [The 2017/18 audit of the Scottish Government consolidated accounts](#). The committee agreed to write further to the Scottish Government in relation to the Auditor General's report [Scotland's colleges 2018](#). The committee agreed to write further to the Scottish Government on the Committee's post-legislative scrutiny of the biodiversity and biodiversity reporting duties.
- 41. On 17 January the committee took evidence on [The 2017/18 audit of NHS Tayside](#) from John Brown CGE, Chairman, Malcolm Wright OBE, former Chief Executive, Alan Gray, Director of Finance, and Dr Annie Ingram, Strategic Director of Workforce, NHS Tayside; Hazel Craik, Head of Employment, Central Legal Office; Paul Gray, Director-General Health and Social Care, Scottish Government and Chief Executive, NHS Scotland; and Shirley Rogers, Director of Health Workforce, Leadership and Service Transformation, Scottish Government. The commission also took evidence in private from Caroline Gardner, Auditor General for Scotland, Fiona Mitchell-Knight, Audit Director, Bruce Crosbie, Senior Audit Manager, and Leigh Johnston, Senior Manager, Audit Scotland. The committee agreed to write to the Office of the Scottish Charity Regulator regarding its inquiry into Tayside NHS Board Endowment Funds.

Finance and Constitution Committee

- 42. On 12 December the committee:
 - Took evidence from a range of stakeholders on the Scottish Parliamentary Corporate Body's Budget Submission 2019/20
 - Considered its work programme and had no comment on the Protocol on the scrutiny of SSIs made using powers under the European Union (Withdrawal) Act.
- 43. On 19 December the committee took evidence on the Scottish Government's taxation proposals from a range of stakeholders including Mark Taylor, Assistant Director, Audit Scotland. The committee also agreed its work programme in private.
- 44. On 9 January the committee agreed to consider its draft report on the Scottish Government Budget 2019-20 in private at future meetings. The committee also took evidence from a range of stakeholders on the Scottish Government's Budget 2019-20 and discussed its work programme in private, agreeing to take evidence on a contingent liability in private at a future meeting.
- 45. On 16 January the committee took evidence on the Scottish Government's Budget 2019-20 from a range of stakeholders including Derek Mackay, Cabinet Secretary for Finance, Economy and Fair Work. Neil Bibby MSP questioned whether local authorities were getting a fair settlement in this year's Budget, to which finance secretary Derek Mackay said he believed so, and also said that it was up to opposition

parties to suggest where funds from other portfolios could be moved to supply councils with extra funding.

Other Committees

46. On 14 December the Culture, Tourism, Europe and External Affairs Committee republished Audit Scotland's report on [withdrawal from the European Union](#) as part of its Article 50 preparedness inquiry.
47. On 22 January the Education and Skills Committee published its report [A note of concern: the future of instrumental music tuition in schools](#), which recommended that music tuition in schools should be provided free of charge. To help local authorities widen provision, the Committee recommended that funding for these services should be re-examined and that more be done to extend concessions and discounts.

Public Policy News

48. On 14 January the [Local Government Boundary Commission for Scotland announced the commencement of its reviews of electoral arrangements for the six council areas specified in the Islands \(Scotland\) Act 2018](#). The reviews will result in recommendations for the number of councillors on each council and the number and boundaries of wards for the election of those councillors. The new islands legislation allows for use of one- or two-member wards, in addition to the current multi-member wards, where a ward includes an inhabited island.

Improvement Service etc

49. In December the Improvement Service along with the Money Advice Service published [Common Advice: Performance Management Reporting Framework 2017/18 Annual Report](#), which summarises the contribution made by money and welfare rights services funded by local authorities and delivered on an inhouse or external basis. Some of the key findings in the 2017-18 report are:
 - 94,336 new service users accessed money and welfare rights advice
 - 60 per cent of service clients initially made contact face-to-face, 32 per cent via telephone, seven per cent via email and one per cent via the web
 - Local authorities invested £25.76 million in money and welfare rights money advice services
 - 28 per cent of service users had a disposable household income of less than £6,000, 55 per cent less than 10,000 and 88 per cent less than £20,000
 - Total debt owed by service users was £204 million
 - Service users reported a positive impact in relation to their physical health, optimism, and relationships with others.
50. In January the Improvement Service published [Annual Stakeholder Survey Feedback and Response: Improvement Actions Overview 2018](#). It reported that 81 per cent of respondents were satisfied or very satisfied with the service provided, compared to 77 per cent in 2017.
51. In January the Improvement Service along with the Carnegie Trust UK produced a briefing paper for elected members on [Affordable credit](#). The paper defines what is

meant by affordable credit and why it is important, highlights some examples of affordable credit that are currently being supported by local authorities, and summarises why this is a relevant issue for elected members and outlines issues that elected members may wish to consider regarding the subject.

SOLACE

52. On 13 December Solace UK announced that [Martin Swales, Chief Executive of South Tyneside Metropolitan Borough Council has been approved as the new president](#). He will be taking over from Jo Miller (CEO Doncaster MBC) who completed her two-year term of office as Solace president on 31 December 2018.

By-elections results

53. On 13 December Conservative candidate Pauline Louise Drysdale was elected to serve as an elected member in ward Dee & Glenkens, of Dumfries & Galloway council, following a by-election. The result was a Conservative hold.

Other Scottish local government news

54. At a council meeting on 4 December Fife Council carried a motion [to end P1 assessments in the council's schools](#). The council will continue to use standardised assessments in P4, P7 and secondary schools.
55. At a council meeting on 13 December [Highland Council announced that it will carry out a public consultation on the implementation of a transient visitor levy](#) in early 2019. The consultation is a result of the Council's public engagement activity in November, where there was strong support for raising income from tourism, including a tourist levy, which could support local infrastructure and the tourism sector.
56. On 20 December former [North Lanarkshire SNP councillor Julie McAnulty successfully sued a fellow party activist for defamation](#) over a row which ended in her being falsely accused of racism. McAnulty won £40,000 from a former assistant to Richard Lyle MSP, Sheena McCulloch, who claimed she had made a racist remark in 2015. The Court of Session Judge Lord Uist concluded that the accusation was activated by malice as a result of political infighting over the selection process for the Holyrood elections.
57. On 7 January the RAC Foundation published 2017-18 data showing that the [maintenance backlog for council bridges in Scotland has increased from £374 million in 2016-17 to £551 million in 2017-18](#).
58. On 9 January Edinburgh Council published a [summary document on its consultation over the introduction of a Transient Visitor Levy](#). It showed that there is significant support for the proposals from residents and businesses. The document sets out the responses of more than 2,500 individuals who took part in a survey or attended a discussion forum and found that 90 per cent of residents are supportive of a tourist tax, while 51 per cent of Edinburgh accommodation providers, who would have to enforce the proposal, also support it.
59. On 17 January [Glasgow City Council announced that it has reached an agreement in principle with the equal pay claimant group](#) represented by Action4Equality, UNISON, GMB and UNITE to a £500 million package of payments to resolve the historical claims for unequal pay within the claimant group. The deal still needs to be approved by councillors and the claimants themselves, and if they are approved the payments will be made in the financial year 2019-20.

60. On 21 January [Orkney Islands Council made an urgent call to the Scottish Government to honour a commitment to provide fully fair funding for the county's inter-island ferry service](#). The council warned that the council cannot afford to run the service during the year ahead unless the Government funds the full cost involved, which amounts to £6.8 million.
61. Scottish councils are publishing or currently considering draft budget proposals. For example, on 18 January [Edinburgh Council published draft budget proposals](#) that included potentially cutting up to 300 jobs as part of measures to reduce the 2019/20 budget by £41 million. This would be managed within a framework of workforce controls, including current vacancies, and mitigated by demographic-related growth in relevant services and wider early years and childcare expansion. The draft proposals will need to be approved by councillors at a finance and resources committee meeting on 1 February and will then go to the council's budget meeting on 21 February where a final decision on the savings will be made.
62. On 25 January the Educational Institute of Scotland's Council (EIS) [voted by a majority decision](#) to recommend rejection of a revised pay offer from COSLA. A consultative ballot of EIS members will now be held on the offer, with a recommendation from the EIS Council that it should be rejected.
63. On 25 January the EIS also published its [Teachers and lecturers job satisfaction and wellbeing survey](#), which highlighted high levels of concern for workload, pay and support for children with additional support needs. Overall, 76 per cent of teachers felt stressed frequently or all of the time while 64 per cent reported more than five hours extra above their contracted hours each week.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO)

64. [The SPSO's Newsletter - December](#) outlines investigation 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. The Commission's Financial Audit and Assurance Committee will consider more detailed intelligence from the SPSO on a six-monthly basis (next at its September meeting).

Commissioner for Ethical Standards in Public Life in Scotland

65. The Commissioner has made no decisions on complaints or members of devolved bodies since my last report.

Standards Commission for Scotland

66. On 18 January the Liberal Democrat councillor [Gary Mulvaney, who serves Argyll & Bute Council was censured](#) for a breach of paragraphs 5.3 and 5.7 of the Councillors' Code of Conduct. It was found that he had failed to declare an interest in a matter relating to parking restriction. In reaching its decision on sanction, the Panel recognised that there had been no personal gain to Council Mulvaney and, given that the proposal had been passed unanimously, it was unlikely that his failure to declare in interest and withdraw would have had any impact on the overall decision of the Committee. The Panel was further satisfied that Councillor Mulvaney had demonstrated insight and understanding of the provisions of the Code and the importance of complying with it.

Care Inspectorate

67. On 22 January the Care Inspectorate published its [Review of findings joint inspection services for children and young people 2012-17](#). The report is a comprehensive review of the effectiveness of the delivery of services by community planning partnerships in Scotland to meet the needs of children and young people, including those identified as most vulnerable. The review highlights the key themes which arose from the full joint inspection programme and is designed to support partnerships to continue their improvement work by proposing key areas for consideration. Amongst the key findings were that:
- Although there were some improvements in outcomes noted, there were groups of children and young people whose outcomes were not improving
 - Many children and young people continue to be at risk of harm from the behaviour of adults, and the signs of risk and neglect were not being recognised consistently
 - Some children and young people were experiencing delays in accessing the right health service at the right time, including mental health services.

Her Majesty's Chief Inspector of Constabulary Scotland (HMICS)

68. On 21 December the HMICS published its [Annual report 2017-18](#). The report notes that despite significant changes at the senior management levels at Police Scotland and the Scottish Police Authority, staff have continued to deliver an effective service and that surveys indicate a majority of adults remain confident in policing.

Education Scotland

69. On 20 December Education Scotland published its [Readiness for empowerment thematic inspection report](#). The report collates the findings from HM Inspectors following engagement with more than 1,300 people, including head teachers, local authority staff, teachers and other stakeholders, and found that local authorities across Scotland are successfully implementing a range of strategies and approaches to deliver a more locally empowered education system for headteachers, teachers and support staff.

Scottish Housing Regulator

70. On 14 January the Scottish Housing Regulator wrote to all registered social landlords (RSLs) to make them aware of [changes to the legal position around regulatory consents to disposals of land or assets and to constitutional and organisational changes](#). This means that from 8 March 2019 RSLs do not need to apply to the Regulator for consent to disposals of land or assets and to constitutional and organisational changes.

UK Parliament

General

71. On 30 January the Business, Energy and Industrial Strategy (BEIS) committee questioned the representatives of 'challenger' accountancy firms, including Grant Thornton, BDO, and Mazars as [part of their inquiry on the future of audit](#). This inquiry was organised as a response to recent accounting scandals at companies such as Carillion, BT, and Patisserie Valerie.

Housing, Communities and Local Government Committee

72. On 21 January the committee held a [one-off session](#) on the [Ministry for Housing, Communities and Local Government's Annual Report and Accounts](#) (MHCLG). The committee examined the performance of MHCLG, including the response to Grenfell Tower and the adequacy of the local government financial settlement in enabling local authorities to meet the challenges they face.

Public Accounts Committee

73. On 19 December the committee responded to the [Department of Health and Social Care accounts](#) report, warning that the financial sustainability of health and social care is a serious and ongoing concern for the committee. The committee observes that the overall figures hide underlying deficits at a local level and the continued use of short-term measures to reduce individual deficits, such as use of the sustainability and transformation fund and money to help with winter pressures. The committee also noted that the overall figure does not show the regional variations and balancing acts between different health bodies.
74. On 11 January the committee published its report [Mental health services for children and young people](#). It found that in 2017-18 only three in ten children and young people with a mental health condition received NHS-funded treatment, and that many faced unacceptably long waits for treatment. It observes that the Government has no comprehensive, long-term plan for how it will fulfil its cross-sector vision for how to support children and young people's mental health. It also highlights that there has been an increase in the number of five to 15-year-olds who are recognised as suffering from an emotional disorder; the number is currently 5.8 per cent compared to 3.9 per cent in 2004.
75. On 23 January the committee published its report [Academies accounts and performance](#). It notes that there have been several high-profile academy failures that have been costly to the taxpayers and damaging to children's education. It also found that some academy trusts have misused public money through related-party transactions and paying excessive salaries.

Other UK Audit Bodies

National Audit Office

76. On 7 January, after receiving a recommendation from the Public Accounts Committee, [the Prime Minister approved the appointment of Gareth Davies](#) as the preferred candidate for the role of Comptroller and Auditor General of the NAO. Gareth Davies is a partner at the international accountancy and advisory firm Mazars LLP and leads on audit and advisory work for UK public services. He joined the firm in 2012 from the Audit Commission, where he was Managing Director, Audit Practice. He is a Fellow of the Chartered Institute of Public Finance and Accountancy (CIPFA) and a member of the Institute of Chartered Accountants in England and Wales. The Auditor General for Scotland conducted a technical audit assessment of the shortlisted candidates. This is the first appointment of an auditor general under the terms of the [Budget Responsibility and National Audit Act 2011](#), which mandates the process for the appointment of a new auditor general.
77. On 10 January the NAO published its report [Local auditor reporting in England 2018](#). The report found that qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing, and that the proportion of local public bodies whose plans for keeping spending within budget are not fit-for-

purpose, or who have significant weaknesses in their governance, is too high. The report highlights that this is a risk to public money and undermines confidence in how well local services are managed.

78. On 15 January the NAO published its report [Local authority governance](#), which examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local government spending achieves value for money and that authorities are financially sustainable. The report concludes that local government has faced considerable funding and demand challenges since 2010-11, and that this raises questions as to whether the local government governance system remains effective.
79. On 23 January the NAO published its report [Pressures on children's social care](#), which sets out recent trends in pressures on children's social care demand and activity and the response of both national and local government to these pressures. It concludes that while the department for education has put in place a programme of reform to meet its goal that all vulnerable children should have access to high-quality support by 2022, it still does not fully understand what is driving demand for children's social care or why there is such wide variation between local authorities in their children's social care activity and costs. It also found that the department has not yet done the work to tie together available sources of information and therefore lacks a well-informed pathway to achieve its goal.

Wales Audit Office

80. On 15 January the Auditor General for Wales published his report [Financial management and governance – town and community councils 2017-18](#), which found that one in five internal town and community council auditors were not sufficiently independent, and that one in three had made inaccurate internal audit conclusions. It also found that a significant number of councils fail to comply with their statutory responsibilities for preparing accounts and ensuring that proper arrangements are made for the statutory audit, including making arrangements for inspection of the accounts by their electors.

Other general – UK

81. On 23 November the Chartered Institute of Library and Information Professionals (CILIP) and Libraries Connected announced the launch of a new initiative being developed to [explore different options for how libraries could be funded, managed and delivered in the future](#). The study will look at contrasting models for public library delivery internationally, including those found in Northern Ireland, Australia, USA, Holland and Finland, who all have a strong public library ethos but with different ways of delivering, managing and funding the service. The results of the study will be available later in 2019 and will inform a funding bid for a major transformation programme beginning in summer 2019.
82. On 26 November the think tank Institute for Public Policy Research (IPPR) published a report which concluded that the [challenges of recruiting and retaining workers in the social care sector is directly impacted by low levels of pay](#) and high job insecurity.
83. On 29 November the housing and communities secretary James Brokenshire announced that the government [was giving councils the power to strip unsafe cladding from private residential buildings over 18 metres high](#). Local authorities will get full backing from the government to enable them to carry out emergency work on affected private buildings from affected private residential buildings with unsafe ACM cladding, and will be able to recover the costs from building owners.

84. On 13 December the housing and communities secretary James Brokenshire gave an oral statement to Parliament in which he announced that the Treasury was [considering whether further interventions were required to slow the commercialisation trend](#) in English local authorities.
85. On 17 December the education secretary Damian Hinds announced that the government will provide an additional [£350 million to councils over the next two years to support the education of children with complex needs and disabilities](#). £100 million of this is for the creation of more specialist places in mainstream schools, colleges and special schools.
86. On 17 December West Yorkshire Combined Authority and Leeds City Region Enterprise Partnership (LEP) announced that they have agreed [an energy strategy with aims to reduce the region's carbon emissions](#), becoming one of the world's first zero carbon energy economies, and to add £11 billion to the region's economy and create 100,000 additional jobs through investment in clean energy.
87. On 18 December children's charity Save the Children published analysis showing that the [learning gap between children in poverty and their peers has widened in half of the local authority areas in England](#). Poorer children starting primary school in 76 out of 156 English council areas perform worse than their classmates in basic skills including speaking in full sentences, following simple instructions and expressing themselves
88. On 18 December the housing and communities secretary James Brokenshire announced the establishment of [eleven rough sleeping hubs throughout England](#), which aim to provide immediate shelter and rapid assessment for those sleeping rough or at risk of doing so, as well as specialist support to address those with complex needs such as mental health problems and substance misuse.
89. On 31 December the housing and communities secretary James Brokenshire announced that it was providing funding for the £38 million [Capital Letters programme which aims to co-ordinate providing accommodation for those at risk of homelessness](#), reducing the risk of boroughs competing for accommodation and driving up prices. Eleven London boroughs will create a not-for-profit company, London Councils, to deliver the programme. Over the next three years, the scheme is expected to house more than 35,000 households within Greater London.
90. On 8 January the Local Government Association (LGA) reported that a total of [133 out of 152 councils spent more money than they had planned to on children's social care](#) in 2017/18, which amounted to an overspend of £806 million.
91. On 8 January the business and financial adviser Grant Thornton published analysis showing that [36 per cent of all councils in England are at risk of financial failure in the next ten years](#). They reported that London boroughs are the most vulnerable, with 78 per cent at risk of failure. The analysis concluded that councils with statutory duties to provide social care services were at the greatest risk of failure.
92. On 9 January insurance providers Confused.com published data showing that the [amount of money local authorities received from parking increased from £682 million in 2013/14 to £847 million in 2017/18](#). It also reported that councils spent £400 million less on road improvements in 2017/18 compared with 2013/14.
93. On 9 January insurance providers Royal London reported that data it had obtained through freedom of information requests showed that [the cost of public health funerals rose by 3.5 per cent in 2017/18 compared to the previous year](#). Councils carried out over 3,800 of these funerals in 2017/18. Nearly a third of the public health funerals

carried out were because the bereaved family said they were unable to afford the cost of a funeral.

94. On 10 January the Ministry of housing, communities and local government announced that it is launching a consultation on reforms to ensure that [local government workers whose roles are compulsorily transferred to independent providers, retain the right to remain in the Local Government Pension Scheme](#). Currently employers with staff who have been transferred from local government roles can offer staff entry into a broadly comparable private scheme. Under the new proposals this would no longer be possible.
95. On 11 January the Education Policy Institute published its report [School revenue balances in England](#), which found that almost a third of local authority maintained secondary schools were in a financial deficit in 2017-18. This figure has almost doubled since 2014. The report also found that some schools have very large deficits, with one in ten schools having a deficit of over ten per cent of their total income.
96. On 11 January the work and pensions secretary Amber Rudd announced several [reforms to the delivery of Universal Credit](#), including that the government will not extend the two-child limit on Universal Credit for children born before April 2017, and the introduction of a pilot to support 10,000 people from 'legacy benefits' on to Universal Credit in a test and learn approach.
97. On 14 January the housing minister Heather Wheeler announced that more than fifty councils across England would be given [£2.4 million of extra funding to share to help to reduce the instance of problem landlords](#). The funding is aimed to help councils to address some of the most common challenges that enable poor standards in the private rented sector, including: the need for better information, better data sharing between authorities and agencies, improved housing-specific legal expertise, and the lack of innovative software.
98. On 15 January the Department for environment, food and rural affairs announced the launch of a [consultation on proposals to modernise water regulation and allow better long-term planning of water resources and drainage](#). This would potentially involve increasing local funding for flood and coastal erosion management.
99. On 17 January the Education Policy Institute published [The early years workforce in England: a comparative analysis using the Labour Force Survey](#). The report found that pay within the sector is low both in relative and absolute terms, with the childcare workforce earning around 40 per cent less than the average female worker. It also found that 44.5 per cent of childcare workers claim state benefits or tax credits, compared to 34 per cent of the female working population as a whole, and that the sector has seen a pay reduction of nearly five per cent in real terms since 2013.
100. On 18 January the RAC Foundation published [What is a pothole? A look at Local Highways Authorities road maintenance policy](#), which found that local authorities around the UK are increasingly adopting a risk-based approach to filling in potholes. Analysing data from 190 of the 207 local highway authorities in Britain, it found that 75 per cent of the authorities that supplied data had moved to a risk-based approach by Autumn 2018. This means that the time taken to repair a pothole is affected by the type of road that the pothole is on and the volume of traffic the road carries, as well as its width and depth.
101. On 22 January the consumer rights organisation Which? Published data about [broadband speeds around the UK](#). It found that four of the six local authority areas with the lowest broadband speeds were in Scotland. They were Argyll and Bute, Moray,

Orkney and the Shetland Islands. West Dunbartonshire recorded one of the fastest rates in the UK.

Conclusion

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

Paul Reilly
Secretary to the Accounts Commission
29 January 2019

APPENDIX:**Accounts Commission reports in past 12 months - downloads**

Report	Date	Report downloads	Podcast downloads
Social Work in Scotland – Impact report	5 December 2018	296 (+149)	n/a
Local government in Scotland – Financial overview 2017/18	28 November 2018	1281 (+290)	*
Local government in Scotland – Financial overview 2017/18 - Supplement	28 November 2018	145 (+78)	n/a
Dumfries and Galloway Council Best Value Assurance Report	22 November 2018	641 (+142)	*
Health and social care integration: update on progress	15 November 2018	4803 (+807)	140 (+31)
East Lothian Council Best Value Assurance Report	1 November 2018	799 (+100)	50 (*)
Children and young people’s mental health	13 September 2018	4127 (+541)	180 (*)
Community Planning – an update – Impact report	24 August 2018	602 (+64)	n/a
Glasgow City Council Best Value Assurance Report	23 August 2018	1361 (+125)	71 (*)
West Dunbartonshire Council Best Value Assurance Report	28 June 2018	1070 (+80)	*
Maintaining Scotland’s roads: a follow-up report – Impact report	27 June 2018	720 (+83)	n/a
Accounts Commission annual report 2017/18	7 June 2018	536 (+<30)	n/a
Accounts Commission engagement strategy and plan 2018/19	7 June 2018	452 (+42)	n/a
Accounts Commission Strategy and annual action plan 20018-23	7 June 2018	573 (+64)	n/a
Accounts Commission engagement plan 2017/18 progress	7 June 2018	47 (+<30)	n/a
Best Value Assurance Report: East Ayrshire Council	29 May 2018	1651 (+109)	84 (*)
Best Value Assurance Report: Fife Council	24 May 2018	1718 (+104)	48 (*)
Councils’ use of ALEOs	17 May 2018	1759 (+108)	*
Local government in Scotland: Challenges and performance 2018	5 April 2018	5470 (+298)	95 (*)
Local government in Scotland: Challenges and performance 2018 - Supplement	5 April 2018	201 (+<30)	n/a
National Scrutiny Plan 2018/19	4 April 2018	878 (+<30)	*
Statutory report on Edinburgh schools (Edinburgh City Council)	3 April 2018	1151 (+25)	137 (*)

Report	Date	Report downloads	Podcast downloads
Statutory report on significant fraud in Dundee City Council	22 Mar 2018	1515 (+40)	119 (*)
Early learning and childcare	15 Feb 2018	7318 (+685)	305 (*)
Early learning and childcare - supplement	15 Feb 2018	1227 (+87)	n/a

Key:

(x) Increase in numbers since last month

* This figure is below 30

n/a Not applicable.

MEETING: 7 FEBRUARY 2019

REPORT BY: MARK TAYLOR, AUDIT DIRECTOR, AUDIT SERVICES AND PABV

NEW FINANCIAL POWERS AND CONSTITUTIONAL CHANGE UPDATE

Purpose

1. This paper provides an update on key developments surrounding financial devolution and constitutional change.

Background

2. We provided an update to the Accounts Commission in August 2018 on the new financial powers and the UK's withdrawal from the EU. Significant developments since then include:
 - On 15 January 2019, the UK Parliament voted by a significant majority to reject the proposed EU Withdrawal Agreement. The UK Parliament are expected to vote again on the proposed Agreement on 29 January 2019. At the time of writing, there remains significant uncertainty about when and how the UK will leave the EU. We published a paper in October 2018 setting out key audit issues for the Scottish public sector. Auditors will be assessing how councils are preparing for EU withdrawal as part of the 2018/19 audits.
 - The Scottish budget for 2019/20 was published on 12 December 2018. The Scottish Fiscal Commission published its five-year forecasts of tax revenues and social security spending on the same day. The Scottish Parliament debated the committees' pre-budget scrutiny on 23 January 2019 and the stage one debate on the Budget Bill is scheduled for 31 January.
 - Social Security Scotland began operating as an executive agency in September 2018 and has started making payments of the Carer's Allowance Supplement and Best Start Grant. The chair and members of the Scottish Commission on Social Security were appointed in January 2019 and will be responsible for scrutinising the social security system.
 - The Scottish Crown Estate Act received Royal Assent in January 2019. It provides for the devolution of the management of Crown Estate assets to local authorities, public bodies and community organisations. Shetland Islands Council, Orkney Islands Council and Comhairle nan Eilean Siar have expressed an interest in taking on management of seabed rights from Crown Estate Scotland.

EU withdrawal

3. The EU (Withdrawal) Act received Royal Assent on 26 June 2018. This removes the competence of EU institutions to legislate for the UK and enables the transfer of existing EU law into UK law where appropriate after 29 March 2019. The Scottish Parliament did not consent to the UK legislation and passed emergency legislation in March 2018 – the UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill. The Bill is intended to ensure there is continuity of EU legislation in Scotland after the UK has left the EU. The UK Government asked the Supreme Court to rule whether the legislation is within devolved powers. In December 2018, the Supreme Court ruled that:

- the legislation as a whole was not outside the legislative competence of the Scottish Parliament
 - some parts of the legislation were outside the Scottish Parliament's legislative competence, as they either amended the Scotland Act 1998 or were incompatible with European law; and
 - subsequent enactment of the EU Withdrawal Act meant that other parts of the legislation were no longer within the Scottish Parliament's legislative competence.
4. A Withdrawal Agreement between the UK Government and the European Commission on the terms of the UK's exit from the EU was endorsed by leaders at a European Council summit in November 2018. On 15 January 2019, the UK Parliament voted by a significant majority to reject the proposed Withdrawal Agreement. Following the vote, the Labour party tabled a motion of no confidence in the UK Government, which was defeated. The Prime Minister made a statement to Parliament on 21 January 2019, setting out how she intends to secure Parliamentary support for the Withdrawal Agreement. The UK Parliament is expected to vote again on the proposed Agreement on 29 January 2019.
 5. On 16 January 2019, the Cabinet Secretary for Government Business and Constitutional Relations made a statement on the outcome of the UK Parliament's vote on the Withdrawal Agreement. He called on the UK Government to extend the Article 50 process, rule out the possibility of the UK leaving the EU without an agreement, and to bring forward proposals to legislate for a second EU referendum (with remaining in the EU being an option). He confirmed that the Scottish Government would be intensifying its preparations for leaving the EU without a deal and reiterated its position that remaining a member of the EU would be the best outcome for Scotland.
 6. The European Commission has indicated that it has no intention of renegotiating the Withdrawal Agreement and has called on the UK Government to clarify its intentions as soon as possible. At the time of writing, there remains significant uncertainty about when and how the UK will leave the EU. We will provide a verbal update at the Accounts Commission meeting on the latest situation.
 7. We are continuing to monitor issues as they develop, identify associated audit risks, and ensure they are reflected in the public sector audit risk register and our work programme. In October 2018, we published a paper that highlights the key issues that withdrawal from the EU presents to the public bodies we audit.¹ It focuses on three areas – people, finance, and rules and regulation. The paper suggests questions that all public bodies should be asking themselves in the months up to 29 March 2019 and sets out our current plans to reflect withdrawal from the EU in our audit work. The Accounts Commission discussed the paper at its meeting in October 2018.
 8. The impact of EU withdrawal will feature in our audit work for the foreseeable future. The audit planning guidance for the 2018/19 audits asks auditors to assess how audited bodies have prepared for EU withdrawal and how they continue to respond to any emerging risks after March 2019. In December 2018, we issued additional guidance for auditors to assist their understanding of the key issues for public bodies and help them to make audit judgements in this area.² Our programme of performance audits will also consider the impact of withdrawal from the EU, where relevant. This is likely to include

¹ http://www.audit-scotland.gov.uk/uploads/docs/report/2018/paper_181011_eu_withdrawal.pdf

² http://www.audit-scotland.gov.uk/uploads/docs/um/pg_eu_withdrawal_public_bodies.pdf

audits on local government and the NHS in Scotland, NHS workforce planning, Scotland's colleges and higher education finances.

9. We are speaking to stakeholders across the public sector about the potential implications of EU withdrawal and how they are responding to this. In November 2018, we hosted a round-table discussion with representatives of public bodies (including COSLA and Scotland Excel) to discuss approaches to preparing for EU withdrawal and to share experiences and learning. We continue to identify the implications of the UK leaving the EU for Audit Scotland and manage any organisational implications.

Scottish budget

10. The Scottish Government published its budget for 2019/20 on 12 December 2018, following publication of the UK budget on 29 October. The Scottish Fiscal Commission published its five-year forecasts of tax revenues, social security spending and onshore GDP on the same day. The Local Government Finance Settlement was published on the 17 December 2018. The Scottish Parliament debated the committees' pre-budget scrutiny on 23 January 2019 and the stage one debate on the Budget Bill is scheduled for 31 January.
11. The Director of Performance Audit and Best Value provided a briefing on the Scottish budget for 2019/20 at the Accounts Commission meeting on 10 January 2019. This included an overview of the overall budget, real-terms budget trends and the impact of the budget plans for local government. The budget has yet to be agreed by the Scottish Parliament, so it is likely that there will be changes to the budget before it is finalised.
12. The Scottish budget is becoming increasingly complex as a result of the financial powers devolved through the 2012 and 2016 Scotland Acts. The funding for the 2019/20 budget includes revenue from Scottish income tax and two fully devolved taxes (Land and Buildings Transaction Tax and Scottish Landfill Tax). The revenues raised from these taxes is forecast to be £12.5 billion, 94 per cent of which is income tax. Assigned Value Added Tax (VAT) is shown in the budget for the first time. Scotland will receive the first 10 pence of the standard rate of VAT and the first 2.5 pence of the reduced rate, which is forecast to total £5.8 billion in 2019/20. In 2019/20, Scotland will be responsible for five social security powers, at an estimated cost of £434 million.
13. The ongoing EU withdrawal process causes uncertainty over the UK and Scottish budget positions. In the event of a 'no-deal' exit from the EU, both the Chancellor and the Cabinet Secretary for Finance, Economy and Fair Work have noted that they may need to revisit the priorities in their budgets.
14. Earlier this year we established a cross-organisation team to lead on our programme of work on public financial management. The team published its first output on 16 October 2018, which was a paper on the operation of the fiscal framework.³ It provides an overview of how the Scottish budget operated in 2017/18, the effect of the main components of the fiscal framework, and the range of risks to the budget and what these mean for the management of the Scottish public finances. We shared a copy of this paper with the Finance and Constitution Committee to help support its pre-budget scrutiny. As part of the 2018/19 audits, auditors will consider how audited bodies are responding to the increased complexity and volatility of the Scottish budget. This includes the extent to which they are considering longer-term financial planning and improved reporting on outcomes and the impact of spending.

³ http://www.audit-scotland.gov.uk/uploads/docs/report/2018/briefing_181016_financial_powers.pdf

Social security powers

15. The Scotland Act 2016 devolved 11 UK social security benefits to the Scottish Parliament, along with powers to top-up existing benefits and to introduce new ones. The Scottish and UK governments agreed a phased approach to transferring operational responsibility for the devolved benefits, through to the end of the current parliamentary term (May 2021). Formal responsibility for all devolved areas will transfer to the Scottish Government by April 2020. Once fully implemented, the Scottish Government will spend an estimated £3.3 billion a year on devolved social security. This is around 15 per cent of overall current social security spending in Scotland.
16. A new agency to deliver the benefits, Social Security Scotland, was established in September 2018. It started making the first payments of the Carer's Allowance Supplement in September 2018 and began delivering the Best Start Grant in December 2018. It expects to start delivering Funeral Expense Assistance by summer 2019. The Scottish Government has also committed to introducing a new Young Carers Grant by autumn 2019. Audit Scotland is the appointed auditor for Social Security Scotland and the payments that it administers.
17. In January 2019, the Cabinet Secretary for Social Security announced the appointment of the chair and three members of the Scottish Commission on Social Security. Dr Sally Witcher, who is the Chief Executive of Inclusion Scotland, will be the first chair of the Commission. The Commission will be responsible for scrutinising the social security system to ensure it is delivered in line with the principles of the social security charter (*Our Charter*), which the Scottish Government laid for approval by the Scottish Parliament on 11 January 2019.⁴ The Charter sets out what people can expect from the new social security system, including the design of policy, recruitment and training of staff, delivery of services, and the culture of Social Security Scotland. The AGS will appoint the auditor for the Scottish Commission on Social Security.
18. We have established a team that is responsible for all our financial and performance audit work on social security. The housing benefit annual performance report was considered by the Accounts Commission at its meeting in September 2018, and members discussed the development of our approach to this audit. The first annual audit of Social Security Scotland (for part of 2018/19) will be conducted during 2019. The team is also currently undertaking a performance audit examining how effectively the Scottish Government is managing the delivery of the devolved social security powers. We plan to publish a report for the AGS in spring 2019. We will continue to review our resource needs for this work and build additional capacity as more social security benefits are devolved through to 2021.

Crown Estate Scotland

19. The Scottish Crown Estate Act received Royal Assent on 15 January 2019. The Act sets the framework for the long-term management of the Crown Estate in Scotland. It provides for the devolution of management of assets from Crown Estate Scotland to local authorities, public bodies, Scottish harbour authorities and community organisations. It requires managers of assets to maintain and seek to enhance the value of the assets and the income arising from them. They must also manage the assets in a way that is likely to contribute to the promotion and improvement of sustainable and economic development, social and environmental wellbeing, and regeneration.
20. The Act requires Scottish Ministers to publish a strategic plan for the management of the Scottish Crown Estate, setting out their objectives, priorities and policies, which will be reviewed every five years. Managers of assets must publish a three-year plan setting

⁴ <https://cdn.prgloo.com/media/download/2a9a7955d9d04c0fa48f60dfc84b69aa>

out their objectives, planned activity and desired outcomes, and report progress against this each financial year.

21. One of Crown Estate Scotland's strategic objectives for 2018/19 is to develop local decision making and success, with a particular focus on communities and coastal local authorities. The types of assets that could be devolved to local authorities include areas of foreshore, leasing for wave and tidal energy, and land in local authorities operated ports and non-operational ports and jetties.
22. In June 2018, Crown Estate Scotland launched a pilot scheme to encourage local authorities and other bodies to test new and innovative approaches to sustainable management of local assets. After assessing the 13 applications, Crown Estate Scotland announced in October 2018 that five of them will move into the second stage of the pilot process. This includes Shetland Islands Council, Orkney Islands Council and Comhairle nan Eilean Siar, which have expressed an interest in taking on management of seabed rights. The five potential pilot projects are developing more detailed business plans, and Crown Estate Scotland will decide which projects will go ahead in April 2019 at the earliest.

Audit reporting

23. The Auditor General published a section 22 report on the 2017/18 audit of the Scottish Government consolidated accounts on 27 September 2018, which was considered by PAPLSC on 1 November. The Permanent Secretary gave oral evidence on the issues raised in the report on 29 November. The key messages from our report were as follows:
 - The arrival of new borrowing powers has enhanced the Scottish Government's ability to manage and control its spending each year. The Scottish Government needs to finalise the policies and principles within which it will manage its borrowing powers.
 - The Scottish Government has taken some important steps to improve its financial reporting. The publication of its first medium-term financial strategy and Fiscal Framework Outturn Report are significant developments in its annual financial reporting and form a key component of the Scottish Parliament's new budget process. However, the Government has not yet published a consolidated account covering the whole public sector in Scotland.
 - In July 2017, a new role of Director General Scottish Exchequer was created to better reflect Scotland's new fiscal responsibilities. With the main powers from the Scotland Acts now in operation, there has been slow progress in finalising the roles and responsibilities within the Scottish Exchequer directorate and recruitment is ongoing to fill key posts. Until arrangements are finalised, it will be harder for the Scottish Government to manage effectively the fiscal risks and opportunities that may arise in the interim period.
 - As Scotland's fiscal responsibilities continue to grow, there is an increasing need for the Scottish Government to produce more detailed and transparent performance reporting, that better links spending with outcomes. This includes providing better information about what activity public spending will support, its aims, and the contribution it expects to make to national outcomes.
24. The National Audit Office (NAO) reported on its 2017/18 audit of HMRC's administration of Scottish income tax on 30 November 2018. The report covered the first year of the Scottish Parliament's powers over non-savings non-dividend income tax rates and bands for Scottish taxpayers. It reported that HMRC has adequate procedures to ensure

the proper assessment and collection of Scottish income tax but that identifying the Scottish taxpayer population continues to be the main challenge. As in the previous three years, the AGS published a report alongside this, providing additional assurance to the Scottish Parliament on the NAO's audit work in this area.⁵

Conclusion

25. The Commission is asked to note the content of this report.

Fraser McKinlay
Director of Performance Audit and Best Value
29 January 2019

⁵ Both reports can be found on our website: <http://www.audit-scotland.gov.uk/news/scottish-income-tax-report-covers-key-audit-risks>

MEETING: 7 FEBRUARY 2019

REPORT BY: ASSOCIATE DIRECTOR, AUDIT QUALITY AND APPOINTMENTS

REVISED FORM OF INDEPENDENT AUDITOR'S REPORTS FOR 2018/19

Purpose

1. The purpose of this paper is to seek the Commission's agreement in principle to changes to the form of Independent Auditor's Reports in respect of local government bodies from 2018/19.

Background

2. Appointed auditors set out their opinions on the annual accounts in an Independent Auditor's Report which is included within the accounts. The Local Government (Scotland) Act 1973 requires the Independent Auditor's Report (referred to as the audit certificate in the legislation) to be 'in such form as the Commission may direct'. The form of Independent Auditor's Report needs to comply as a minimum with international standard on auditing (ISA) 700. However, the form of report can be tailored to reflect local government legislation and augmented by specific reporting requirements of the Commission.
3. ISA 700 was revised in 2016 and the structure and wording of the Independent Auditor's Report was changed. In April 2017, the Commission approved a two year transition to the revised ISA 700 over 2016/17 and 2017/18. At the April 2018 meeting, the Commission approved the form of Independent Auditor's Report for 2017/18 but asked Professional Support to consider revising the 2018/19 form of report further to include:
 - the additional wording which ISA 700 requires for public interest entities
 - an appropriate reference to the Code of Audit Practice and the wider scope responsibilities reported in the Annual Audit Report.
4. In addition to the above:
 - the Auditor General has requested that a reference be added to the fact that risks of material misstatement are reported in the Annual Audit Report
 - guidance from a professional institute (ICAEW) was issued in May 2018 recommending the positioning of the paragraph in the report that disclaims liability to third parties.
5. The appendix to this paper sets out the proposed changes to the form of report to reflect the above. Further explanatory information on each change is set out in the following paragraphs. In order to maintain consistency across the sectors, Professional Support proposes also applying the equivalent changes to all public bodies in the Auditor General's remit. Discussions have been held with the Auditor General who is supportive of the proposals.

Additional wording required for public interest entities

6. ISA 700 sets out additional reporting requirements for a 'public interest entity' (PIE) including the following: information on the appointment of the auditor, and the date and period of appointment; an explanation of the extent to which the audit was considered capable of detecting irregularities including fraud; and declarations around non-audit services.
7. Aberdeen City Council is the only Scottish council that meets the statutory definition of a PIE by virtue of its issue of a listed bond. As requested by the Commission, Professional Support has considered the matter and propose that the reporting requirements for PIEs are also applied to all local government bodies and pension funds. It is proposed not to extend the requirements to section 106 charities administered by councils due to their size and the fact that they are part of the council's audit appointment.
8. In most cases, the proposed wording for PIEs in the Appendix to this paper (see relevant underlined text in the Basis for Opinion paragraph) has been taken from ISA 700. There will have to be a slight wording change to reflect the arrangements in ASG where the Director of Audit Services is appointed as auditor but the responsibility for signing the Independent Auditor's Report is delegated to another member of staff.
9. However, ISA 700 does not specify wording for explaining the extent to which the audit is capable of detecting irregularities. Professional Support proposes specifying the following wording in the section on auditor's responsibilities for all local government bodies (including Aberdeen) and pension funds:

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

Reference to Code of Audit Practice

10. The form of Independent Auditor's Report that applied before the transition to the revised ISA 700 included a reference to the Code of Audit Practice. It is proposed that the reference is reinstated and Professional Support consider that the best place to add such a reference is the first sentence of the Basis for Opinion paragraph, i.e. We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)) as required by the Code of Audit Practice approved by the Accounts Commission.

Wider scope responsibilities

11. Professional Support is proposing adding to the form of Independent Auditor's Report a reference explaining that auditors' wider scope responsibilities are reported in the Annual Audit Report. Professional Support proposes that a new sub-heading of Conclusions on Wider Scope Responsibilities be included in the Report on Other Requirements section. The proposed paragraph explains that in addition to their responsibilities for the annual

accounts, auditors' conclusions on their wider scope responsibilities specified in the Code of Audit Practice are set out in a separate Annual Audit Report.

Risks of material misstatement

12. ISA 701 requires the most significant assessed risks of material misstatement identified by the auditor to be reported in the Independent Auditor's Report for listed entities and PIEs. In Scottish public audit, these risks have instead been reported in the Annual Audit Report since 2014/15 (other than for Aberdeen council as a PIE). This approach is required by the Code of Audit Practice, makes best use of public reporting arrangements, and is in line with the other UK audit agencies. In the interests of transparency, it is proposed that a factual reference be added to the model Independent Auditor's Report to explain this reporting arrangement to users of the accounts. The inclusion of such a reference for public bodies is explicitly provided for in ISA 700.
13. Risks of material misstatement for Aberdeen council as a PIE are located in the Independent Auditor's Report immediately after the paragraphs on going concern. Professional Support proposes including the reference in the form of report in the same location.

Positioning of disclaimer paragraph

14. Professional Institutes recommend that a paragraph be included in the Independent Auditor's Report to disclaim auditors' liability to third parties. This is often known as the Bannerman paragraph after the court case which highlighted the potential exposure to third parties if auditors do not expressly disclaim responsibility. The form of Independent Auditor's Report for 2016/17 and 2017/18 included the Bannerman paragraph at the start of the report which was consistent with guidance from the professional institutes at the time.
15. Revised guidance from the ICAEW was issued in May 2018 (after the Commission had specified the form for 2017/18) recommending that the paragraph be positioned at the end of the report. The appointed firms were very keen to follow the ICAEW guidance in 2017/18 but Professional Support directed them to follow the form of report specified by the Commission in 2017/18 with a view to the position being reviewed for 2018/19. All firms except one (Deloitte) followed that approach in their 2017/18 Independent Auditor's Report.
16. In view of the revised guidance from ICAEW and the strong desire by the firms to follow it, Professional Support proposes moving the Bannerman paragraph to the end of the form of report under a new sub heading Use of Our Report. Other than the addition of the sub-heading, there are no proposed changes to the wording of the paragraph.

Conclusion

17. The Commission is asked to agree in principle with the proposed changes to the 2018/19 form of Independent Auditor's Report. Professional Support will then consult with auditors.
18. After the consultation exercise, the Commission will then be invited to formally approve the form of Independent Auditor's Report at the April 2019 meeting.

Elaine Boyd
Associate Director, Audit Quality and Appointments
February 2019

Changes to form of Independent Auditor's Report for 2018/19 **APPENDIX**

Independent auditor's report to the members of [insert name of council] and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of [name of council] and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the [specify precisely the titles of the financial statements used by the council] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of the affairs of the council and its group as at 31 March 2019 and of the income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed [under arrangements approved (ASG only)] by the Accounts Commission on [insert date of appointment/delegation letter]. The period of total uninterrupted appointment is [insert number] years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. [Indicate any services, in addition to the audit, which were provided by the firm to the council that have not been disclosed in the financial statements or elsewhere in the annual accounts.] We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the [insert job title of proper officer] has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Head of Finance and [council or name of audit committee] for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The [council/name of audit committee] is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the

perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual accounts

The Head of Finance is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our separate Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

[Name of individual auditor], for and on behalf of [name of firm]

[Full postal address]

[Full date]

MEETING: 7 FEBRUARY 2019

REPORT BY: SECRETARY TO THE COMMISSION

WORK PROGRAMME: CONSULTATION OUTPUTS

Purpose

1. This report sets out the responses to the recent consultation on the Accounts Commission updated work programme (2019/20 – 2023/24) and seeks the Commission's approval of its joint work programme.

Background

2. The Commission has in place a rolling five-year programme of work published jointly with the Auditor General. The programme is updated annually, setting out detailed work for the first two years and an indication of likely areas of work for the subsequent three years.
3. In December 2018 the Commission considered a report by the Secretary presenting proposals from the Director of PABV for the annual refresh of the Commission's five-year rolling work programme. During discussion, the Commission:
 - Approved a proposed draft work programme incorporating detailed proposals for 2019/20 and 2020/21, subject to incorporating the following changes agreed in discussion, as a basis for consultation with stakeholders:
 - That, specifically, for a performance audit in 2020/21, waste management be agreed in preference to flood risk management.
 - That the Director engage in discussion with appropriate strategic scrutiny partners in relation to potential collaborative activities around flood risk management and emergency resilience.
 - That further discussion take place about potential areas of coverage for a series of local government service-specific audits in the years 2021/22 to 2023/24.
 - Not to programme a *How Councils Work* report in 2019/20.
 - That further discussion take place on potential subjects for the next in the series of *How Councils Work* reports in 2020/21, including the potential of a summary of all reports published in the series so far.
 - That the Commission's significant interest in community empowerment matters be underlined as part of the work programme and articulated accordingly to stakeholders.
 - Noted the activities around the diversity and equality implications of the work programme.
 - Approved the proposed stakeholder consultation arrangements, including engaging with the third sector.
 - Noted that the Secretary would report back on the outcome of the consultation.
 - Noted that the Performance Audit Committee would receive regular updates on

progress with the programme, including updates on programme development activity.

Consultation

4. The Commission is required to consult with its local authority stakeholders, including trades unions / employee associations before undertaking its performance audit work.¹ I have therefore consulted on the draft work programme with COSLA, SOLACE and trade unions Unison, Unite and GMB (these are the three members of the Scottish Joint Council, which represents local government employees). The consultation this year was widened to include SCVO, the representative body for the third sector. We will continue to liaise with SCVO over how we take forward consultation with the third sector for future years.
5. The basis of the consultation is set out in **Appendix 1**.
6. The stakeholders consulted, and responses received, are detailed in **Appendix 2 and 3**. I will report any late responses verbally to the Commission.
7. Other information relevant to the Commission approving its work programme includes:
 - Commission Connections events to engage directly with council leaders and chief executives on its work (the messages from the most recent events in 2018 have previously been considered by the Commission and are in **Appendix 4** and summarised in paragraph 13)
 - Evidence of councils' progress against the Commission's Strategic Audit Priorities (SAPs), as reported by the Controller of Audit in his Annual Assurance and Risks Report at the Commission's January meeting (a summary of those messages is contained in **Appendix 5**)
 - the messages in the Commission's local government overview reports.
 - the programme of planned alternative outputs including briefing papers as outlined in Appendix 2. We will agree a schedule of reporting on these outputs with the Auditor General and the Commission following approval of the programme refresh proposals.

Consultation responses

8. The consultation feedback and our proposed response are set out in Appendix 3. The Commission received 22 responses comprising 21 councils giving broad representation across both city, rural and island authorities and the SCVO bringing a third sector perspective.
9. All respondents welcomed the opportunity to provide their feedback on the work programme. The overwhelming view was positive about the content of the programme. This gives the Commission assurance that it addresses strategic issues that are regarded as important by the local government community. There was also strong support for the Commission's core products including the overview reporting, the HCW series, and the Commission's use of alternative outputs.
10. The consultation highlighted a number of points including:
 - Support for our interest in community empowerment with broad acceptance that the scope for further audit activity will be determined following further appraisal
 - The important contribution of the third sector to local services
 - A broad recognition that proposed work on EU withdrawal needs to be responsive to

¹ 1973 Local Government (Scotland) Act, section 97A(3).

developments

- General endorsement of our proposal to examine the sustainability of social care services and continued audit oversight of health and social care partnerships
- The importance of the Local Governance Review and its implications for local services and decision-making
- The need for to continue to recognise the local context including the importance of the Islands Bill
- Seeking assurance over how we co-ordinate audit work and take account of the likely impact on council resources e.g. where audits relate to common themes such as educational or economic outcomes
- The need to consider a review of the audit of Best Value at an appropriate point.

11. The consultation highlighted potential specific areas in relation to the content of the programme including:

- Two councils suggested we consider innovative financing and capital investment strategies for the schools estate. Aspects of these are included in our ongoing work on capital financing, and was considered in our major capital infrastructure follow-up work. However there may be scope to consider future work more specifically on schools investment.
- Four respondents noted pressures local government funding and services, including the need for fundamental choices over provision (Aberdeen Angus, Argyll and Bute, SCVO). Sustainability of public services is a key concern of the Commission, for example through the overview reports and its proposed work on the sustainability of social care. The Commission will give further thought to the issue of service transformation as part of its Strategy Seminar.
- Emergency planning (one council) we will be considering this in wider discussions with stakeholders as part of scoping work around flood resilience. It is also a service worthy of consideration in our series of dedicated audits in years 3 to 5.

12. Most aspects of these are already accommodated in our programme of work. These themes are also monitored by PABV policy cluster teams, and it is proposed that these be considered by the Commission as it refreshes its 2019/20 work programme.

13. Finally, some respondents recommended changes to the scheduling within the programme, including:

- Two councils suggested delaying waste management audit to allow for the availability of data and the timing of the landfill ban. Our proposed timing allows us to consider progress towards this, as well as other longer-term waste management targets. We will consider the timing of the audit more closely at the scoping stage.
- Five respondents suggested bringing forward planned work on health and social care integration to share good practice on the important issues our work has already highlighted, while two specifically endorsed our proposed timing. This is an area where we will continue our monitoring through the annual audit of IJBs, BVARs and the overview audit. We will consider bringing forward the timing if we identify particular risks or issues.
- One council highlighted bringing forward work on economic development, again, to highlight good practice.

14. The Commission Connections events held in September last year echoed many of the issues raised in the consultation, including:
 - The financial, demand and political challenges facing local government
 - The importance of health and social integration and the challenges of partnership working
 - The challenges of community engagement and the need for a local approach
 - The importance of recognising the local context in any audit work
 - Support for new ways of reporting our audit work.
15. In summary, the overall tone of the feedback was very positive about our planned work. While offering suggestions in certain areas as summarised in paragraphs 10 and 11, the majority endorsed the programme as appropriate to the key risks and issues facing local government. There was also strong support for the Commission continuing to use different approaches to reporting its findings. The overview reports, *How Councils Work* series, and the approach to Best Value also received positive feedback. It is noted however that the Commission should continue to be mindful of the scrutiny burden on councils.
16. Many observations relate to audit work already planned or underway. These comments will be fed to audit teams and considered by the Performance Audit Committee in the scoping of such audit work. The points referring to the scrutiny burden will be referred to the Strategic Scrutiny Group and reported back to the Commission as appropriate. All feedback will of course inform ongoing programme development activity. This general point will be made when I reply to all respondents.
17. The Commission will consider its strategy and how it engages the public and its stakeholders further at its Strategy Seminar. This will include how it identifies audit risk and public concerns and how it reports its findings.

Next steps

18. Following today's meeting the Chair will finalise the joint aspects of work programme with the Auditor General. The agreed joint programme will then be published on the Commission and Audit Scotland's website in early March.
19. I will respond on behalf of the Commission to all stakeholders who were part of the consultation exercise, addressing any points raised and setting out the final programme of work. Audit Scotland will share the feedback with appointed auditors and with Local Area Network leads. The joint work programme will also be shared with other stakeholders including Ministers, MSPs and Scottish Parliamentary committees.
20. The Commission will consider its strategy and how it engages with the public and its stakeholders further at its Strategy Seminar. This will include how it identifies key issues and concerns, and how it continues to shape the content and timing of its audit work. The Audit Scotland communications team is preparing the and communication arrangements with planned publication of the programme in March 2019.






Conclusion

21. The Commission is invited to:
 - a) Consider the responses to the consultation and reflect on any implications for the programme of work

- b) Approve the programme of work subject to any revisions agreed as a result of the consultation and subject to liaison with the Auditor General for Scotland in relation to any joint audit work
- c) Agree the proposed next steps and publication arrangements.

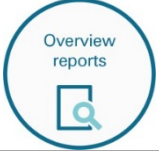

Paul Reilly
Secretary to the Commission
1 February 2019



Proposed Commission work programme for 2019/20 and 2020/21

	2019/20	2020/21
<p>Performance audits</p> 	<p>City Deals (Joint)</p> <p>Early learning and childcare (Joint)</p> <p>EU withdrawal (Joint)</p> <p>NPD projects (Joint)</p> <p>Educational outcomes (Joint)*</p> <p>Affordable housing (Joint)*</p>	<p>Commonwealth Games legacy (Joint)</p> <p>Waste management (Joint)</p> <p>Outcomes for children with additional support needs (Joint)</p> <p>Social care sustainability (Joint)</p> <p>Digital progress in local government</p> <p>Supporting economic growth: the role of local authorities</p>
<p>Overview reports</p> 	<p>Local Government Overview</p> <p>Local Government Financial Overview</p>	<p>Local Government Overview</p> <p>Local Government Financial Overview</p>
<p>Best Value</p> 	<p>7 Best Value Assurance Reports:</p> <p>Highland Council</p> <p>Midlothian Council</p> <p>North Lanarkshire Council</p> <p>Perth and Kinross Council</p> <p>Scottish Borders Council</p> <p>South Lanarkshire Council</p> <p>Stirling Council</p>	<p>7 Best Value Assurance Reports in councils to be confirmed</p>
<p>How Councils Work</p> 	<p>No proposed How Councils Work (HCW) audit for 2019/20.</p>	<p>It is proposed that one HCW audit will take place in 2020/21.</p> <p>The Commission will consider HCW options for 2020/21 as part of its 2019 work programme update</p>
<p>Impact reports</p> 	<p>Self-directed support follow-up (Joint)</p> <p>Equal pay in councils</p>	<p>Children and young people's mental health (Joint)</p> <p>Councils' use of arms-length external organisations</p>
<p><i>*these audits are part of the 19/20 programme but may be published in early 20/21</i></p>		

Proposed longer-term audit programme (2019/20 to 2023/24)

	2019/20	2020/21	2021/22 provisional	2022/23 provisional	2023/24 provisional
<p>Audits of Best Value</p> 	<p>7 BVARs in councils Highland Council Midlothian Council North Lanarkshire Council Perth and Kinross Council Scottish Borders Council South Lanarkshire Council Stirling Council</p>	<p>7 BVARs To be confirmed following the 2019/20 SRA process</p>	<p>6 BVARs To be confirmed following the 2020/21 shared risk assessment (SRA) process</p>	<p>End of five-year appointment cycle To be confirmed following 2021/22 SRA process</p>	<p>New appointment cycle Approach to Best Value audit in councils to be agreed To be confirmed following 2022/23 SRA process</p>
<p>How Councils Work</p> 	<p>No HCW planned</p>	<p>To be confirmed</p>	<p>To be confirmed</p>	<p>To be confirmed</p>	<p>To be confirmed</p>
<p>Overview reporting AC</p> 	<p>Local government financial overview Local government overview</p>	<p>Local government financial overview Local government overview</p>	<p>Local government financial overview Local government overview</p>	<p>Local government financial overview Local government overview</p>	<p>Local government financial overview Local government overview</p>

	2019/20	2020/21	2021/22 provisional	2022/23 provisional	2023/24 provisional
Overview reporting (AGS-specific) 	NHS in Scotland (AGS) Scotland's colleges (AGS)	NHS in Scotland (AGS) Scotland's colleges (AGS)	NHS in Scotland (AGS) Scotland's colleges (AGS)	NHS in Scotland (AGS) Scotland's colleges (AGS)	NHS in Scotland (AGS) Scotland's colleges (AGS)
Performance audits (AC/joint with AGS) 	City Deals (Joint) Early learning and childcare (Joint) – impact and follow up Educational outcomes (Joint)* Affordable housing (Joint)* EU withdrawal (Joint) Revenue financing of assets: the Non-profit distributing (NPD) and Hub models (Joint)	Commonwealth Games legacy (Joint) Waste management (Joint) Outcomes for children with additional support needs (Joint) Social care sustainability (Joint) Digital progress in local government Supporting economic growth: the role of local authorities	City Deals 2 (Joint) Community justice (Joint) Digital services: learning or justice (Joint OR AGS) Early learning and childcare series (Joint) Improving outcomes for looked after children and young people (Joint) Workforce planning post-EU withdrawal (Joint) Local government services **	Housing for an older population (Joint) Mental health (Joint) Progress in addressing child poverty (Joint) Replacing Structural Funds (Joint) Strategic capital investment (Joint or AGS) Local government services **	Health and social care 3 (Joint) Local government services **

	2019/20	2020/21	2021/22 provisional	2022/23 provisional	2023/24 provisional
Performance audits (AGS) 	Enabling digital government Higher education finances NHS workforce 2: community-based workforce Skills – planning and investment Social Security	Social Security	Development of Scotland’s new agriculture and fishing policy Fair access to higher education Social Security)	Digital in health (AGS) Social Security (AGS) Supporting economic growth: Enterprise and Skills Review (AGS)	Climate change plan Digital: progress against digital strategy Public energy company Scottish investment bank Social Security Support to rail services
Impact reports 	Self-Directed Support follow up (Joint) Equal Pay in councils NHS workforce planning Transport Scotland’s ferry services	Children and young people’s mental health (Joint) Councils’ use of arms-length organisations Forth replacement crossing Scottish Fire and Rescue Service: an update Superfast Broadband for Scotland (AGS)	City Deals (Joint) EU withdrawal (Joint) Revenue financing of assets: the Non-profit distributing (NPD) and Hub models (Joint) Enabling digital government (AGS) Higher education finances (AGS) NHS workforce 2: community-based workforce (AGS) Skills – planning and investment (ASG)	Commonwealth Games legacy (Joint) Educational Outcomes (Joint) Flood risk management OR Waste management (Joint) Housing (Joint) Outcomes for children with additional support needs (Joint) Social care sustainability (Joint) Digital progress in local government Supporting economic growth: the role of local authorities	City Deals 2 (Joint) Community justice (Joint) Digital services: learning or justice (Joint OR AGS) Early learning and childcare series (Joint) Improving outcomes for looked after children and young people (Joint) Workforce planning post-EU withdrawal (Joint) Developing Scotland’s new agriculture and fishing policy (AGS) Fair access to higher education (AGS)

* May report early 2020/21

** Programme of audits focusing on ‘core’ local government services e.g. leisure, libraries, burials, regulatory services, public and community transport.
 Note AGS means Auditor General for Scotland

Summary information on proposed performance audits 2019/20 and 2020/21

2019/20

Joint Accounts Commission and Auditor General
<p>City Deals</p> <p>The Scottish Government considers City Region Deals as having a major role in driving the economy, boosting investment and innovation, and supporting inclusive economic growth. Around £2.4 billion has been committed in respect of the City Region Deals agreed to date, with most councils actively involved in their development.</p> <p>The audit will review progress to date, with an emphasis on governance and programme management arrangements. A further City Deals performance audit is proposed for 2021/22 by which time projects associated with each City Deal should be underway.</p>
<p>Early learning and childcare</p> <p>This is a follow-up of our 2018 report, and will provide an update on planning for the expansion in funded early learning and childcare to implement the Scottish Government's goal of delivering 1,140 funded hours by August 2020. The audit will consider several significant risks identified in the 2018 report through interim audit and impact reporting work in 19/20. It will be followed by a further audit in 2021/22 to assess how effectively the 2020 expansion has been implemented.</p>
<p>EU withdrawal</p> <p>It is proposed that there be provision within the work programme for focused performance audit work on EU withdrawal. The scope and scale of any performance audit work will be dependent on developments within this fast-moving area. Any performance audit work undertaken is likely to be joint work on behalf of the Auditor General and Accounts Commission. The implications of EU withdrawal and potential audit response will continue to be monitored by Audit Scotland's EU withdrawal team.</p>
<p>Educational outcomes</p> <p>This audit will follow up on the Accounts Commission's 2014 report. Since then the Scottish Government has identified improving educational outcomes and closing the poverty-related attainment gap as its top priority. It has committed an additional £750 million to improve outcomes over the lifetime of this Parliament. Since 2014 there has also been significant change within the education sector, including development of the Scottish Attainment Challenge and Pupil Equity Funding. The audit will look at trends in educational outcomes and spending across Scotland and assess the impact of actions by the Scottish Government and councils to improve outcomes. It will also follow up on progress against the recommendations in the 2014 report.</p>

Affordable housing

The Scottish Government's vision is to provide an affordable home for all by 2020, with four key targets for housing (covering homelessness, fuel poverty, energy efficiency and the quality of social housing). The government has also set targets for new homes for the current and previous parliamentary terms. Councils have a long-standing legal duty to assess and respond to housing need for their area. Council plans also need to consider people in the private sector in terms of housing need.

Our 2013 report identified that a focus on numbers alone creates a risk that homes could be built where it is easy and most cost-effective, not where they are most needed. Since 2013 there have been changes to funding, for example the Scottish Government launched the Housing Infrastructure Fund in 2016 to help councils with the costs of supporting infrastructure such as roads and drainage

The audit will consider progress against the national new build target, and how this supports policy objectives of reducing homelessness and increasing access to affordable housing for those most in need. It will consider local planning arrangements, variability between council areas, barriers to building enough homes in Scotland, and how the Scottish Government and councils are working together to address these barriers.

Revenue financing of assets: the Non-profit distributing (NPD) and Hub models

The audit will assess whether the NPD and Hub models provide value for money, and how effectively they are contributing to the delivery of infrastructure investment across Scotland. The audit will seek to answer four key questions:

- Do the NPD/HubCo revenue models provide advantages compared to other ways of financing infrastructure (including previous methods such as PFI)?
- How much use has been made of the NPD/HubCo models in Scotland and what are the long-term public sector financial commitments relating to all revenue financed infrastructure projects?
- How well has the Scottish Government, Scottish Futures Trust and HubCos worked together to deliver value for money?
- To what extent have individual projects been managed well and can they demonstrate they are value for money?

Accounts Commission

Digital progress in local government

This audit will enable the Commission to focus on whether councils are making best use of digital technologies and methods to transform services and improve outcomes for citizens. This would include looking at the effectiveness of leadership and collaboration across councils. Scoping and fieldwork will be undertaken in 2019/20, but the audit findings will be reported in early 2020/21

Supporting economic growth: the role of local authorities

Building on our 2016 report on the [role of the enterprise agencies in supporting economic growth](#), this audit will consider the issues and risks to other areas of the economic development landscape. This includes local economic development and regeneration activity in councils, and the role of the Business Gateway service.

This is a topic which is of priority interest to the Commission. This will assume even greater significance due to the potential impact of Scotland's new financial powers on local government funding, and the increased emphasis that Scottish local authorities are placing on supporting economic growth as part of their efforts to create sustainable communities and address inequalities. Scoping and fieldwork will be undertaken in 2019/20, but the audit findings will be reported in early 2020/21.

Joint Accounts Commission and Auditor General

Commonwealth Games legacy

This would be the fourth report on the 2014 Commonwealth Games and would focus on the delivery of the Scottish Government and Glasgow City Council legacy plans, six years after the games. The legacy was a key component of committing £425 million of public funds. Both the Government and council developed an evaluation framework and intended to monitor progress regularly up to 2019. Producing an audit output in 2020/21 allows us to consider these evaluations and complete our reporting on the games.

Waste management

This audit would review councils' progress in reducing the amount of waste sent to landfill in the context of tighter targets and the Scottish Government's overall climate change objectives. It will compare performance and seek to identify good practice. The timing of audit work at this time corresponds with EU targets for 2020, and action to meet Scottish Government's 2025 targets.

Outcomes for children with additional support needs

This audit will build on the work undertaken as part of the Educational outcomes audit. Data shows a significant gap in attainment and 'positive destinations' between children with additional support needs and all children. This comes at a time where the number of children with additional needs is increasing but specialist support staff in schools decreasing. There is a risk that the current focus on addressing the poverty-related attainment gap sees the needs of ASN children missed. The audit will look across services and across the learner journey from early learning and childcare through to college/higher education/skills/employment.

Social care sustainability

There are major risks around social care financing, governance and accountability. While we have reported on these in a number of previous reports we believe there to be a strong case for carrying out performance audit work looking at the risks in this area. With increasing pressure on council and health budgets, and complicated arrangements in health and social care, the audit work would likely explore:

- how social care services are provided across Scotland at a high-level
- how much is being spent, how this has changed and future spending plans
- what the main pressures and risks are, particularly in relation to financing and cost pressures
- the level of medium to long-term planning for the provision of social care
- outcomes for local populations.

Planned programme development activity

Based on recent discussions with the AGS and the Accounts Commission we are proposing to undertake the following specific pieces of development work during 2019/20 and 2020/21 to help shape the longer-term work programme.

- *Community Empowerment* – briefing paper for the AGS and Commission on why community empowerment is important and our proposed approach to independent scrutiny and supporting improvement in this area. This briefing paper will be used to inform our approach to embedding consideration of key Community Empowerment-related issues (e.g. place-based planning, prevention, asset transfer) across our work (annual audit, Best Value, performance audits and overview reporting).
- *Cybersecurity (joint)* – This work will draw together intelligence gathered by local auditors as part of the 2017/18 financial audit. The Scottish Public Finance Manual will bring formal requirements for cybersecurity within public bodies governance arrangements from April 2019. Stakeholders have confirmed that a short output setting out information for audit committees and management would be welcomed.
- *Drug and Alcohol briefing (joint)* - The Scottish Government's drugs strategy 'Road to Recovery' was published in 2008. The SG announced late last year that, due to the many shared underlying causes and similarities in treatment services, a new combined alcohol and drugs strategy would be published in 2018. We are proposing that an update paper be presented to the AGS and Commission in February 2019 to provide a high-level update on progress in delivering drug and alcohol services, particularly in relation to the increase in drug related deaths. It will also consider good practice examples in Scotland and elsewhere.
- *Enterprise and skills issues paper* – We will produce a 'key issues' paper focusing on enterprise and skills, setting out key issues flowing from the enterprise and skills review and the main opportunities, challenges and risks from an audit perspective. This would establish our interest at this stage and signpost future audit work.
- *Leadership* – ongoing development work considering the importance of leadership in the context of reducing financial resources, increasing demands for services, more joint working and integrated service delivery, policy change and transformation of public services. While we highlight these issues in individual audits and overview reports there is an opportunity to undertake cross-sector work across broader public-sector leadership.
- *Local economic development* – briefing paper for the Commission on the specific role of local authorities in supporting economic development growth and how this sits alongside regional and national activity. This briefing paper will be used to inform the 2020/21 audit on *Supporting Economic Growth: the role of local authorities*.
- *Public financial management* – ongoing development work for the AGS will continue the implications of Scotland's new financial powers on the Scottish Parliament, Scottish Government and public bodies. This will include monitoring how key elements of new system operate (e.g. forecasting risk and performance, development and refinement of medium-term financial plans, tax policy).
- *Teacher workforce planning (joint)* – This analysis will consider future demand for the teacher workforce, offering comparisons with our 2017 NHS workforce planning audit.

Respondents and responses received as at 1 February 2019

Chief Executive	Title	Organisation	Reply Recd
Angela Scott	Chief Executive	Aberdeen City Council	Yes
Jim Savege	Chief Executive	Aberdeenshire Council	Yes
Margo Williamson	Chief Executive	Angus Council	Yes
Cleland Sneddon	Chief Executive	Argyll & Bute Council	Yes
Nikki Bridle	Chief Executive	Clackmannanshire Council	No
Gavin Stevenson	Chief Executive	Dumfries & Galloway Council	No
David Martin	Chief Executive	Dundee City Council	No
Fiona Lees	Chief Executive	East Ayrshire Council	Yes
Gerry Cornes	Chief Executive	East Dunbartonshire Council	Yes
Angela Leitch	Chief Executive	East Lothian Council	Yes
Lorraine McMillan	Chief Executive	East Renfrewshire Council	No
Andrew Kerr	Chief Executive	City of Edinburgh Council	No
Kenneth Lawrie	Chief Executive	Falkirk Council	No
Steve Grimmond	Chief Executive	Fife Council	Yes
Annemarie O'Donnell	Chief Executive	Glasgow City Council	Yes
Donna Manson	Chief Executive	Highland Council	Yes
Aubrey Fawcett	Chief Executive	Inverclyde Council	Yes
Grace Vickers	Chief Executive	Midlothian Council	No
Roddy Burns	Chief Executive	The Moray Council	No
Craig Hatton	Chief Executive	North Ayrshire Council	Yes
Des Murray	Chief Executive	North Lanarkshire Council	Yes
Alistair Buchan	Chief Executive	Orkney Islands Council	Yes
Karen Reid	Chief Executive	Perth and Kinross Council	Yes
Sandra Black	Chief Executive	Renfrewshire Council	Yes
Tracey Logan	Chief Executive	Scottish Borders Council	Yes
Maggie Sandison	Chief Executive	Shetland Islands Council	Yes
Eileen Howat	Chief Executive	South Ayrshire Council	Yes
Lindsay Freeland	Chief Executive	South Lanarkshire Council	Yes
Carol Beattie	Chief Executive (Interim)	Stirling Council	Yes
Joyce White	Chief Executive	West Dunbartonshire Council	No
Graham Hope	Chief Executive	West Lothian Council	No
Malcolm Burr	Chief Executive	Comhairle nan Eilean Siar	No
Tracey Dalling	Regional Organiser	Unison	No
Gary Smith	Acting Reg Secretary	GMB	No
Pat Rafferty	Scottish Regnl Secretary	Unite	No
Joyce Whyte	Chair	SOLACE (Scotland)	No
Sally Loudon	Chief Executive	COSLA	No
Anna Fowlie	Chief Executive	SCVO	Yes

Consultation responses

Key points for action raised by council	Our proposed response
Aberdeen Council	
<p>Consider examining grant funding to local authorities and the sustainability of one-year financial settlements in the Local Government Financial Overview (LGFO); and in Best Value reports to examine councils' ability to achieve Best Value.</p>	<p>Council funding is a key feature of our LGFO reports. We agree that the sustainability of LG services is an area of ongoing importance to us, both through our overview work and our performance audits e.g. the proposed audit of the sustainability of social care services.</p>
<p>Examine the impact of the current local governance review e.g. on local decision-making and service delivery</p>	<p>The AC will maintain a watching brief in this important area.</p>
<p>Examine whether national emergency planning and resilience structures are fit for purpose.</p>	<p>We will consider your suggestion as part of next year's work programme refresh.</p>
<p>Examine value for money of other arms-length providers (for example, third sector) given the recent audit in respect of ALEOs.</p>	<p>We will continue to examine councils' compliance to the Following the Public Pound Code.</p>
<p>Ability of the public sector to adhere to policies of no compulsory redundancies.</p>	<p>Sustainable financial planning is core to our audit; however, this specific issue is a question of policy for councils;</p>
<p>Consider rolling out the early closure of external audit (as practised by Aberdeen City Council) across Scotland to reduce spend on external auditors.</p>	<p>The AC is following such practice with interest and will consider it as a potential model for design of future audit.</p>
<p>That the Economic growth audit considers Scottish Enterprise (SE) move toward a regional focus (potential for overlap and duplication at a regional level.)</p>	<p>We have proposed performance audits (PAs) for economic growth both in local government and more widely; we will inform the audit teams of this issue of interest.</p>
<p>Welcome the use of digital/agile reporting methods.</p>	<p>We agree these help get our messages across. We are piloting new approaches including animation and infographics to reach different audiences.</p>

Aberdeenshire Council

Proposed PAs with a focus on 'core' local government services will provide useful good practice learning opportunities.

The 2020/21 sustainability of social care PA is of interest to this council and the Health & Social Care Partnership and we would be pleased to engage with Audit Scotland on its development.

It is disappointing that the 'How councils work' series is delayed for a year as they are helpful to officers and Elected Members. Support the proposal to link these to themes arising from the auditing of Best Value approach.

Welcome new ways of publishing and promoting our work and local promotion strategies for the audit of Best Value. Positive about open access to audit-related performance data and analysis to increase engagement with the work programme

Recognise decision to postpone the community empowerment PA given communities and councils are still developing their understanding. Would welcome continued dialogue with councils, community planning partners and scrutiny partners.

It would be helpful if any examples of innovative financing opportunities, co-production of service planning, design and delivery or enabling social equity could be incorporated into the financial and performance overview reports.

We will refer interest in health/social care to the team to consider your potential involvement.

Thank you for feedback on our HCW reports. Yes, we consider LGOs and BVARs as well as wider intelligence from local audit work to inform these reports

Thank you for feedback. We aim to tailor our work to different audiences and are piloting new approaches including animation, on-line data hubs, and infographics.

This remains an area of strong interest for the AC. Agree that continued dialog is important

These are all areas of interest to us and will be an important part of our thinking for our future WP

Angus Council

Welcome timing of education performance audit (PA) alongside ASN PA given common interests Note SG group to look at the assessment and recording of ASN. Request that any audit recognises unique context of Angus as a fully integrated service.

There is no focus on children's social work raising a concern that this will result in issues being lost within the wider social care and/or possibly additional needs work.

In addition to planned sustainability of social care the Commission should consider the broader sustainability of local government services in the current funding environment

Thank you for highlighting importance of ASN as integral to education and for noting your integrated practice. We will alert the audit teams accordingly.

Agree this is an important area. Note that the work programme (WP) includes: joint work with the AGS-

Outcomes for children with additional support needs

Early learning and childcare series

Improving outcomes for looked after children and young people

Progress in addressing child poverty

Sustainability of local services is core to the AC's thinking, and it will be looking at specific services. We will consider the points you make as part of our scoping for this work.

Argyll & Bute Council

Suggest bringing forward the proposed timing of 'Supporting economic growth - the role of local authorities' from 2020/21 to 2019/20 to inform councils of good practice e.g. by rescheduling the NPD audit to 2020/21.

Concern that moving the third health and social care integration performance audit from 2020/21 to 2023/24 will create a 5-year gap until the next follow up, given the key messages around strategic planning, financial planning and partnership engagement.

Welcome the overview reports and the continued publication of the financial overview as a separate output from the more general local government overview.

Consider councils' ability to make fundamental service provision choices to remove or reduce services as a subject for a performance audit or HCW in the context of funding pressures and the Local Governance Review' (rather than the current focus on transformational change to redesign existing services)

The Council supports the revised approach to auditing Best Value and its focus on output and self-assessment over process. It would be helpful if the Accounts Commission could provide the list of BV reviews over a two-year window.

The Council seeks assurance that the BV assessment of its use of performance information will not focus on LGBF data which it sees as having some limitations but will take into account its own assessment process.

The Council welcomes the 'How councils work' series and notes there is currently no proposed HCW work. It reiterates its suggested topic of fundamental service choices within local authorities as an appropriate topic.

The Council recommends that the impact reports on 'NHS workforce planning' 'NHS workforce 2: community-based workforce' recognise the joint nature of community health and social care workforces (given the shift in the balance of care to communities). This work should be informed by the Scottish Government led national activity on integrated workforce planning involving all Health and Social Care stakeholders.

That the 2019/20 work on 'Equal Pay in councils' recognises ongoing legal proceedings underway in some local authorities, which will affect the information that can be provided by councils.

We are grateful for feedback on benefit of early audit input. We have limited flexibility as work already underway re NPD. Our City Deals PA will be published in 2019/20 and will highlight good practice in this important aspect of economic growth

Agree ongoing monitoring of health and social care integration important. AC will do this through various ways e.g. annual audit of IJBs, and the NHS overview, and BVARs. The timing of the next PA aims to allow time for benefits to be realised

Thank you for your positive feedback.

The AC recognises pressures on councils and the scale of change required. Effective options appraisal is one of its priorities. We will alert the AC to your point about the need for fundamental choices as a potential topic for an HCW or PA. The AC will also keep a watching brief over the Local Governance Review.

The AC currently do not announce year two BVARs to allow them some flexibility to respond to issues arising in councils. The AC are however considering the future approach to BVARs as they are mid-way through the cycle

Yes, we will take into account local reporting choices, and the AC's SPI Direction endorses this view.

Thank you for feedback on value of HCW series. Point addressed above to alert AC to your suggestion.

Thank you for articulating this point. We will alert the audit teams involved to inform how they scope work in this area.

We recognise this as an ongoing issue that we will need to continue to take into account as we report on this important issue.

Whether the proposed 2022/23 performance audits 'Replacing Structural Funds' and could be carried out earlier, e.g. reporting in 2021/22 (but taking into account the outcome of the UK's withdrawal from the EU).

Whether the proposed 2022/23 performance audit 'Supporting Economic Growth: Enterprise and Skills review' could be carried out earlier, e.g. reporting in 2021/22 to allow early sharing of good practice.

We will consider your feedback on structural funds work in tandem with scoping our proposed EU withdrawal 2019/20 audit
We will notify the AGS of your proposal to bring the Skills review forward.

East Ayrshire Council

The future work programme for 2019/20 to 2023/24, reflect the main challenges facing the wider local government community and will bring additional value to our existing practice.

In view of the changing public sector landscape suggest that a review of the Audit/Scrutiny Framework in Scotland would be timely and will help us to ensure that the Framework remains fit for purpose.

Recommend that the Equal Pay Impact Report follows up on good practice identified such as East Ayrshire Council's regular testing of its Equal Pay arrangements and setting aside necessary funds.

That the Joint Performance Audit on Social Care Sustainability examines the integration agenda, including progress with channelling funding from the acute healthcare sector into community/social care.

Are updated on Audit Scotland's work with the National Audit Office on Scottish Devolution and matters of significant devolved interest in UK bodies, particularly around the theme of financial sustainability and its impact on service provision

That the PA of the role of local authorities in supporting economic growth seeks to capture the complex roles of all stakeholders involved.

Welcomes the annual audits of Social Security and anticipates that these consider the impact of benefit changes on both communities and local authorities.

Consider delaying the timing of the Waste Management PA to examine council's readiness for the Biodegradable Municipal Waste (BMW) Landfill Ban which takes effect from 1 January 2021.

Endorse the need for flexibility in the work programme to allow proposed work on EU withdrawal to feature in subsequent years, when the fuller implications of EU are clearer.

Thank you for the positive feedback.

The AC happy to engage SOLACE over this issue and have already consulted councils over changes to the SRA process, including the effectiveness of LANs.

Agree that good practice such as you mention in East Ayrshire will be an important part of evidence gathering.

Agree that the balance of funding is important. Welcome your feedback that identifying progress and detailed practice here is important.

Thank you for feedback. We will refer to AGS and the team developing our approach to auditing these new areas.

Agree this is an important dimension and we will alert teams to your point. We will also ensure that our report focusing on the role of local government informs the later planned work of the AGS on Enterprise and Skills review

We will refer your suggestion for the audit team's consideration.

We are aware of these issues, and the BMW ban is one of a range of environmental targets set by the EU, and Scotland. Our proposed timing allows us to consider progress towards this target as well as other longer-term waste management targets. We will consider the timing of the audit more closely at the scoping stage.

We agree and recognise this as a moving picture that we will continue to monitor as we plan this work. We will also take account of developments in our overview and other audit work.

East Dunbartonshire Council	
<p>Supports the opportunity for ongoing engagement and the strategic and flexible approach to the programme</p> <p>Welcomes the content and focus and timing (e.g. health and social care) as relevant and value-adding.</p> <p>Highlights challenges within social care and the impact of ring-fencing of budgets as key audit issues</p> <p>Supports the continued examination of clear and interesting reporting styles</p> <p>Supports the LGO and LGFO reporting approach, and its timing re budget setting.</p>	<p>Thank you for positive feedback and indication of your areas of interest within social care and budgeting. These are critical areas that we plan to address through our overview and PA programme.</p>
East Lothian Council	
<p>That the Accounts Commission consider reviewing the effectiveness of its new Best Value Assurance process during the next year rather than waiting until all 32 BVARs are complete. Some initial feedback may help to refine the process with the remaining local authorities.</p>	<p>The AC will consider the future approach to the audit of BV at its March Strategy Seminar, reflecting on progress to date. We will ensure that councils remain an important part of this dialog, both through our contact with individual councils and our planned engagement work across councils.</p>
Highland Council	
<p>Welcome overview reports, we and HCW series as useful to council and also for Member induction.</p> <p>The Council has developed the use of infographics in relation to PPR reporting for the LGBF in relation to the Audit Direction and this had had positive feedback.</p> <p>The shared risk assessment process is valuable to engage with external auditors. Greater clarity on LSP production linked to the overall Work Programme would be helpful.</p> <p>An important point we have raised before is given the ambition of the work programme it would be helpful for the Commission to consider the scheduling of audits to ensure Councils have adequate capacity especially when any engagement on national audit work might fall at the same time as a Best Value Assurance Audit (BVAR).</p>	<p>Thank you for your positive feedback. We strive to make our audit proportionate and coordinated to reduce the burden on councils. We will consider this more closely with each council as we scope our work.</p>

Fife Council

Support our aim for a proportionate audit that minimizes the impact on local resources.

Recognize the benefit in postponing the third health and social care integration performance audit and appreciate the need for the focus on the sustainability of Health and Social Care as a key risk area.

That the HCW reports provide helpful checklists and to welcome the opportunity for stakeholder consultation over these.

That the focus of the digital progress PA , is widened to include asset rationalisation and service integration, rather than just focus on digital transformation.

Thank you for your positive comments in support of our programme, our aim of proportionate audit, and our HCW reports.

We will refer your point highlighting the importance of asset rationalisation and service integration in auditing digital to our audit teams for them to consider in planning work in this area.

Glasgow City Council

We would welcome further information on the content of the review work on Scotland's colleges, including links with the skills planning and investment performance audit planned for 2019/20 and assurances that local councils will be consulted as key partners in any local audits of city colleges

We would welcome further information on the remits, and of how performance and impact audits linked to similar outcomes will inform each other:

1) local authority role in economic development and City Deal.

2) enabling digital government and digital progress in local government proposed between 2019/20 and 2023/24 – areas where national policy and investment set the context and can impact on local progress

We welcome the work on EU withdrawal and we would welcome clarification on whether the robustness of national UK Government and Scottish Government plans will feature as well as the local government and partner planning and responses.

We would ask for early indications of the proposed scope and particularly the timing of the 2019/20 audit.

It would be useful if the scope of the ALEO work in 2020/21 could be clarified particularly to confirm if this will be a follow up on the last review or an extension of it, with a widened sample of Councils. 1.

How Councils Work reports are valuable. We note there are no plans for any reports in 2019/20 and would wish to be kept informed of developments in this area and opportunities for local government to shape the direction of any proposed work.

The increased prominence of infographics in reports and podcasts is useful. Good practice checklists can also assist officers and elected members and their continued provision would be welcome where relevant.

All of these audits are being treated as a long-term programme of work focusing on the effectiveness of central and local government in improving Scotland's economic performance and improving outcomes. For that reason, as suggested connections will be made between these various pieces of work as the programme is delivered. For example, our scoping of the forthcoming audit on the role of local authorities in supporting economic growth will draw on the findings from the City Deals audit

Digital is one of the key strategic risks and opportunities which has informed both the Commission and AGS joint work programme. As with our work on economic growth each audit will inform future audits as the programme develops and we will revisit the planned focus and timing of the various strands of the work each year as part of the annual refresh of the work programme.

EU withdrawal – as we indicate in our consultation letter, the scope and scale of any audit work in this area will be dependent on developments within this fast-moving area. As soon as any decisions are made on what if any audit work is planned that will be communicated to councils and any other affected bodies. It is important to note though that any work in this area will not cover UK government plans as these fall outwith the responsibilities of both the Accounts Commission and the Auditor General for Scotland.

This is not a planned audit, but an impact report to cover the response to the 2018 ALEOs report, and its recommendations

Thank you for your positive feedback on the HCW programme. The AC ongoing dialog with councils, along with issues arising in its work will continue to inform these. The AC will consider future options at its Strategy Seminar.

We welcome your positive feedback on Audit Scotland and the Commission's use of infographics, checklists and podcasts. We will pass on to Audit Scotland's communications team

<p>The work programme is comprehensive and, in light of increasing audit fees, including contributions to performance and best value costs, we would ask that this be considered in the context of affordability for local authorities.</p>	<p>We welcome your feedback on the comprehensiveness of the programme and note your wider point about the affordability of audit fees for local authorities. This is an issue that the AC will consider as part of its overall strategy refresh.</p>
<p>Highland Council</p>	
<p>Pending</p>	
<p>Inverclyde Council</p>	
<p>That a further ALEOs audit in 2020/21 risks repeating the issues raised in the recent 2018 PA.</p> <p>Welcome questions for Councillors as a feature of the Financial Overview report, but suggest we use fewer question with less repetition on previous years and instead focus on new issues.</p>	<p>This is an Impact report not another PA – Impact reports are scheduled c18 months after the publication of a PA to examine how conclusions and recommendations have been acted upon by audited bodies and others.</p> <p>Thank you for your feedback. We intend these to be a useful resource for councils rather than any prescriptive list, but we will reflect on your views for their future design.</p>
<p>Midlothian Council,</p>	
<p>North Ayrshire Council</p>	
<p>Welcome the proposals to contribute to develop new ways of presenting and reporting the findings to make this work readily accessible and easy to understand within our community and key stakeholders</p> <p>Consider deferring the proposed waste management PA to 2021/22 to allow SEPA data on the achievement of 2020 targets to be taken into account.</p> <p>That the housing-related audit work considers both current and projected need and demand.</p>	<p>Thank you for your positive feedback on how we report.</p> <p>We are aware of these issues, and the BMW ban is one of a range of environmental targets set by the EU, and Scotland. Our proposed timing allows us to consider progress towards this target as well as other longer-term waste management targets. We will consider the timing of the audit more closely at the scoping stage.</p> <p>Agree that need and demand for housing is important and will need to be central to scope. We will forward your comment to the audit team.</p>

<p>North Lanarkshire Council</p> <p>The proposed scope and timing of any work in relation to EU withdrawal would need to reflect the continuing uncertainty</p> <p>To ensure that work in similar policy areas (e.g. educational outcomes / ASN; or City Deals, EU withdrawal and economic growth) takes into account resource demands on individual councils.</p> <p>We wish to comment on Community Empowerment audit work detail once the Commission is in a position to share its proposals.</p> <p>We consider that the current style and format of reports is generally clear and concise and that the use of good practice checklists can be helpful in providing a clear framework for self-evaluation</p>	<p>We acknowledged the need for flexibility in our work programme and agree this is particularly important re EU-withdrawal.</p> <p>Thank you for raising this. We strive coordinate our audit work, and our work with our scrutiny partners to take into account the impact on council resources. We will certainly bear these points in mind for these related areas.</p> <p>Thank you for your interest in community empowerment. We will continue to engage with stakeholders as we develop our thinking in this area.</p> <p>Thank you for the positive feedback on our reporting. We will share this with the Audit Scotland communications team.</p>
<p>Orkney Islands Council</p> <p>Welcome the scope of the proposed programme and the commitment to looking at new ways of publishing and promoting the work of the Accounts Commission.</p> <p>In view of the Islands Bill, that we take into account the special circumstances of island communities in our scoping</p> <p>Welcome the proposed sustainability of social care PA and emphasises that Orkney population ages 75 or over is expected to increase by 101 per cent by 2039, the fastest growth in Scotland, plus the challenge of providing sustainable services in remoter outer isles.</p> <p>That we recognise Orkney's current and historic digital services challenges of investment and slow broadband speed</p>	<p>Thank you for the positive feedback.</p> <p>Thank you for highlighting demographic pressures in Orkney. The AC is strongly aware of its obligations as a named body under the Islands Act. Indeed, at its October meeting last year the AC considered a briefing on rural issues.</p> <p>The audit of BV is tailored to local context for this reason and we will certainly recognize these factors in the audit.</p> <p>Rural access is also a key issue considered in our performance audit work on broadband. Roll-out to more remote or rural areas</p>
<p>Perth & Kinross Council</p> <p>The council content with the work plan.</p>	<p>Thank you for your feedback.</p>

Renfrewshire Council	
<p>Welcome inclusion of early years expansion and attainment outcomes are included, and these were specific areas that we had suggested within a previous consultation.</p> <p>Welcome further audit activity relating to community empowerment as a key priority to help councils draw on good practice.</p> <p>Suggest that the audit in relation to the integration of health and social care is brought forward as a critical area.</p> <p>An audit is planned in 2020/21 on digital progress within local government consider health and social care services provided through HSCPs – digital is critical to the future development and sustainability of these services, including how they relate and integrate with other local authority services.</p>	<p>Thank you for the positive feedback.</p> <p>Agree ongoing monitoring of health and social care integration important. AC will do this through various ways e.g. annual audit of IJBs, and the NHS overview, and BVARs. The timing of the next PA aims to allow time for benefits to be realised</p> <p>Thank you for this helpful suggestion. We will alert the audit teams involved in these areas to this as an area to consider.</p>
Scottish Borders Council	
<p>Supportive of work programme and coverage of health and social care (HSC), early years and children’s services, and community empowerment. Believe HSC should be given early attention given concerns over NHS funding model and criticality of this service.</p> <p>Propose new area of capital strategy for school’s estate investment</p>	<p>Thank you for the positive feedback on the WP</p> <p>Agree ongoing monitoring of health and social care integration important. AC will do this through various ways e.g. annual audit of IJBs, and the NHS overview, and BVARs. The timing of the next PA aims to allow time for benefits to be realised</p> <p>Thank you for suggestion. We will consider this as a possible future option at next years WP refresh.</p>

Shetland Islands Council	
<p>That our proposed sustainability of social care audit considers the roles of health care services, community planning partners, the Third and Private sectors e.g. dependencies on community nursing.</p> <p>That further work on IJBs be done early in the programme. Delaying further IJB reports risks losing the momentum of the need for change identified in previous IJB reports</p> <p>We note that Local Government Services specifically mentions public transport and community transport, programmed for 2021/22 and 2022/23, and to receive early sight of the scope and planned field work. The Council would welcome the opportunity to take part in the work in this area.</p> <p>That further work on Equal Pay is targeted at councils where there are specific issues, and to note that the council would be happy to engage in the work in this area.</p> <p>We would welcome more information and early dialogue on proposals for community empowerment work and would be interested in being involved in taking part in any detailed work in this area.</p>	<p>We agree that making these connections will need to be an important part of our thinking and as such we have identified this as a joint AC-AGS audit. We will pass on your comments for the joint audit team to consider.</p> <p>Agree ongoing monitoring of health and social care integration important. AC will do this through various ways e.g. annual audit of IJBs, and the NHS overview, and BVARs. The timing of the next PA aims to allow time for benefits to be realised. (The AC is also seeking legal advice to clarify its powers in relation to auditing IJBs)</p> <p>The AC are yet to determine the likely topics for these proposed audits. (the topics listed are only given as examples at this stage). But we will bear in mind your interest in this specific area.</p> <p>The Equal Pay work will be an impact report to assess how councils have followed up on our messages. We alert the team to your interest in supporting this work.</p> <p>Thank you for your interest. We intend to maintain our dialog with stakeholders and will bear your interest in mind as we develop our approach.</p>
South Ayrshire Council	
<p>Welcome the proposal to consider performance audit in non-protected services and the proposals outlined in respect of publishing and promoting the work.</p>	<p>Thank you for your feedback supporting our proposed audit work in non-protected council services and our continued use of various formats to publish our work.</p>
South Lanarkshire Council	
<p>The programme of work for 2019/20 appears comprehensive and appropriate and covers key areas of public policy. I am also pleased to note recognition of the increasingly complex ways in which services are being delivered as well as the pressures and significant change across the Public Sector.</p> <p>Welcome the new ways in which it is suggested output will be published and promoted and consider this provides sufficient local focus and support for Local Authorities.</p>	<p>Thank you for your positive feedback supporting our proposed work programme and associated outputs.</p>

Stirling Council	
Confirm that the proposed areas of focus for the five-year work programme are appropriate.	Thank you for your feedback supporting our proposed work programme and associated outputs
West Dunbartonshire Council, (23/02/18)	
West Lothian Council	
SOLACE	
SCVO	
<p>Appreciate the Commission's recognition of the role of the third sector in the public service landscape</p> <p>That the City Deals PA recognise the role of the third sector in regeneration, community wealth-building and innovation and considers councils and their partners involvement of the TS, including funding allocations</p> <p>Welcome strong interest in community empowerment. Consider whether reaching its potential and the vital role of the TS, particularly very local projects and organisations.</p> <p>Recognise the contribution of smaller services to communities and the detrimental impact of cuts, including longer-term consequences of these on statutory services as people won't be able to access preventative, supportive, diversionary or advisory services</p> <p>Consider role of councils' commissioning practice e.g. if it favours largescale providers (especially in social care and employability) to the detriment of smaller, local services.</p> <p>Concern over gap in Integration of Health and Social Care reporting given importance of ongoing scrutiny.</p> <p>Welcome social care sustainability audit. Concerns over current commissioning and procurement models, and the focus of spend on acute health services combined with a lack of investment in social care (i.e. negative impact on vulnerable people, delivering on social justice, community empowerment, rights-based care, Fair Work, /National Performance Framework)</p>	<p>Thank you for highlighting the valuable place the third sector takes in public services. The AC has an increasing interest in the TS, partly through the CEA and through its PA work in areas such as social care, early learning, and childcare</p> <p>City Deals – We recognise the valuable contribution of the TS and will feed your comments into the team who are currently undertaking fieldwork in this exercise.</p> <p>We will also pass on your feedback to the Skills – planning and investment PA team (AGS)</p> <p>We have an ongoing interest and CE will continue to feature in our BV and other audit work. Sustainability of LG services is a key area of interest and we note your comments on the impact of cuts to smaller local services.</p> <p>Thank you for highlighting role of commissioning – we will highlight this to the AC as an area to consider in next year's WP refresh.</p> <p>Agree ongoing monitoring of health and social care integration important. AC will do this through various ways e.g. annual audit of IJBs, and the NHS overview, and BVARs. The timing of the next PA aims to allow sufficient time for benefits to be realised. If we identify any specific risks, we will bring this work forward.</p> <p>Thank you for comments on our proposed work on the sustainability of social care. We will feed in important role of commissioning; and balance of prevention/acute</p>

Support work on EU withdrawal and happy to contribute to this. Highlight that funding and workforce are significant areas of concern; and impact of funding as well as potential economic decline e.g. on trust funds and pensions.

Educational Outcomes

Emphasise the importance of GIRFEC model, which recognises the whole system approach to a child or family (Pupil Equity Fund more education-focused). Highlights range of third sector interventions that make a positive impact on attainment but are not funded through PEF in areas of food and wellbeing, poverty, mental health, sport.

Welcome work on supporting economic growth, including delivering sustainable communities and addressing inequalities. Emphasise that much of the successful activity around sustainable communities and tackling inequality is done by the third sector and so councils' engagement with and funding of the sector will be crucial.

Suggest the AC/AGS examine employability as a potential area of interest, noting confused landscape of local authority, enterprise and skills public bodies, further and higher education and the third sector. (but to note that the Scottish Government and COSLA have recently announced a wholesale review)

European funding, specifically how Scotland has chosen to administer it, to examine European Structural Funds and successor UK Shared Prosperity Fund

Thank you for offer to support this work, and we will take your comments into account as we plan our approach. The AC also receives briefing papers on this topic. The issues you raise are also pertinent to our developing work around Scotland's new financial powers.

Thank you for your useful commentary. We will advise the audit team of your feedback as they scope the audit.

We will alert the teams involved in these PAs to your comments about the importance of partnership dimension and the role of the TS.

Thank you for feedback. We will alert the audit teams involved in economic and skills development, and EU-withdrawal to your suggestions, and consider these as part of next years work programme refresh process.

Summary of significant issues discussed at Council Connections events

Commission products: most councils formally consider the Commission's work at their committees including performance audit and Best Value Assurance Reports.

Assurance versus improvement: councils' welcome good practice and improvement actions prompted by Commission reports including checklist questions for elected members.

Best Value auditing: councils are generally positive about the new approach to auditing Best Value, particularly those already subject to a Best Value Assurance Report (BVAR).

Performance information in BVARs: councils are sceptical about the value of the performance information reported. The Commission emphasised that it is important that councils can articulate how well they think they are performing (hence the importance of self-evaluation in Best Value auditing) and report their performance clearly

Scrutiny co-ordination: participants expressed concern over the resource demands on them of external scrutiny. This is an important issue for the Commission, given its role to facilitate scrutiny co-ordination. The Commission noted its plans to consult with councils on the shared risk assessment process.

Health and social care: there is some concern about the operation so far of integrated joint boards (IJBs). The Commission referred to its responsibilities for an annual audit of IJBs, noting that these, and the ongoing series of performance audits, provide it with evidence on progress, and that this position will be kept under review.

Council capacity: most councils raise the issue of workload. This has three aspects: the burdens placed on councils by the Scottish Government's policy agenda; demands on councillors; and skills shortages in critical areas such as caring. There is a sense of anticipation about the ongoing Local Governance Review led by the Scottish Government.

Community engagement and empowerment: participants emphasise that the local context determines how each council should engage with its communities. They also point to other helpful indicators of community empowerment such as participation or asset transfer requests. There is some scepticism about the value of participatory budgeting.

Partnership working: there is mixed opinion about the value of formal community planning partnerships, with councils instead pointing to the value of partnership working in addressing more specific local policy or need.

Shared services councils acknowledge the lack of progress, attributable in large part to local political issues.

Audit coverage: councils accept the need to include non-statutory services. Areas of interest included: waste management (already in our work programme), emergency planning, and non-statutory aspects of education, such as music and sport.

Summary of key messages on each Strategic Audit Priority from 2019 Annual Assurance and Risks report

SAP 1: Having clear priorities with a focus on outcomes, supported by effective long-term planning

Most councils have a strategic focus on improving social inequality within their communities, but need to demonstrate more clearly how outcomes are being achieved

Constructive working relationships exist between councillors and between councillors and officers which helps to focus on outcomes.

Collaborative leadership and cultural differences between the partner bodies is affecting the pace of change for IJBs, which will impact on service delivery.

Long-term financial planning is not fully developed - councils need to build on their medium-term financial planning and develop suitable long-term financial plans.

Financial sustainability is the biggest risk to IJBs. The majority do not have medium term financial plans, and none currently have long term financial plans

Councils continue to face financial constraints and most have ended 2017/18 with lower levels of usable reserves and increased levels of debt compared to the start of the year.

SAP 2: Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities

Councils are in the early stages of new or refreshed transformation programmes, given the pressures and scale of change it is important that progress continues to be monitored and scrutinised

There is more evidence of councils collaborating with other public-sector bodies, however there is limited evidence of councils sharing services

Councils show improving practice but scope for more improvement when considering service delivery options such as ALEOs

SAP 3: Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future

Councils have effective arrangements in place to support good governance and accountability. The level of challenge is generally good, with some scope to improve the depth of scrutiny.

Training programmes should be tailored to suit the needs of councillors which should improve attendance rates

A lack of collaborative leadership, cultural differences and capacity are affecting the pace of change for Integration Joint Boards

Councils are at various stages in developing organisational-wide workforce planning. Generally, further work is required.

SAP 4: Empowering local communities and involving them in the design and deliver of local services and planning for their local area

While arrangements for discharging responsibilities under the Community Empowerment Act have been established, there is limited progress.

Where councils are undertaking public consultations, there is little evidence to show that they are taking the results into account when setting the annual budget

Auditors are reporting on the statutory requirement on equal opportunities but there is more focus on social inequalities

SAP 5: Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes

Public performance reporting ranges in quality, and there is scope for councils to learn from each other to improve the standard of reporting to their communities

Auditors report a positive picture in terms of accessibility for the public to information and to council meetings. There is scope to improve the transparency of financial reporting.

The processes and quality of annual accounts submitted for audit needs to improve for some councils and IJBs