

**Performance Audit
Committee minutes**

2018

PERFORMANCE AUDIT COMMITTEE

MEETING: 26 APRIL 2018

REPORT BY: SECRETARY TO THE COMMISSION

MINUTE OF PREVIOUS MEETING

Introduction

1. This paper provides updated information on the previous minute of the Committee.

Updated information

2. At its meeting on 8 March 2018, the Commission approved the attached minute as a correct record.
3. Arising therefrom, in relation to paragraph 7, fourth bullet point, and in response to a query from Tim McKay, the Commission noted advice from the Controller of Audit that he would provide in early course further information to the Commission on the General Data Protection Regulation.
4. This information was subsequently provided by the Secretary in his update report to the Commission at its meeting on 12 April.

Conclusion

5. The Committee is asked to note:
 - The attached minute.
 - Any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
17 April 2018

APPENDIX

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 22 FEBRUARY 2018

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of 102 West Port, Edinburgh, on Thursday 22 February 2018, at 2.00pm.

PRESENT: Ronnie Hinds (Chair)
Alan Campbell
Sophie Flemig
Christine May
Stephen Moore
Graham Sharp

OTHER COMMISSION MEMBERS PRESENT: Tim McKay [Item 6]
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Director of Performance Audit and Best Value (PABV)
Carol Calder, Senior Manager, PABV [Item 8]
Neil Cartlidge, Audit Manager, PABV [Item 7]
Antony Clark, Assistant Director, PABV [Item 4]
Derek Hoy, Audit Officer, PABV [Item 6]
Leigh Johnston, Senior Manager, PABV [Items 5, 7 & 8]
Ronnie Nicol, Assistant Director, PABV [Items 6 & 8]
Dharshi Santhakumaran, Audit Manager, PABV [Item 5]
Claire Sweeney, Associate Director, PABV [Items 5, 7 & 8]
Peter Worsdale, Audit Manager, PABV [Item 6]
Rikki Young, Business Manager, PABV [Item 4]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 23 November 2017
4.	Work programme update
5.	Performance audit: emerging messages – Children and young people’s mental health
6.	Performance audit: emerging messages – Councils’ use of Arms-length organisations
7.	Performance audit: scope - Health and social care integration
8.	Policy briefing: Health, care and communities
9.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Sandy Cumming.

2. Declarations of interest

The following declarations of interest were made:

- Sophie Flemig, in item 8, as a non-executive director of the Board of the Office of the Scottish Charities Regulator, in relation to references to arm's length external organisations.
- Christine May, in item 8, as former Chair of Fife Cultural Trust, in relation to references to arm's length external organisations.

3. Minutes of meeting of 23 November 2017

The minutes of the meeting of 23 November 2017 were approved as a correct record.

Arising therefrom, the Committee agreed:

- In relation to paragraph 6, first bullet point, to recommend to the Commission that a briefing on the performance of the Scottish economy take place for all Commission members, thus perhaps as a lunchtime speaker session, after summer 2018.

Action: Secretary

- In relation to paragraph 6, second bullet point, to note advice from the Director of PABV that he would discuss with the Secretary the Committee's desire for diversity and equalities issues to be covered in all cluster policy briefings, with a view to introducing an approach in the next briefings.

Action: Director of PABV & Secretary

4. Work programme update

The Committee considered a report by the Director of PABV providing an update on the parts of the work programme on which the Committee has an oversight and quality assurance role on behalf of the Commission.

During discussion, the Committee agreed:

- That issues around Brexit be considered in the scoping of the planned performance audit on the role of local authorities in economic growth.
- Endorsed the proposal in the report to group the reporting of impact reports to the Committee.
- To note that further information to this end be considered at its next meeting.
- To note advice from Alan Campbell that, consequently, he would not be able to be sponsor of the proposed impact report for performance audit Roads maintenance follow-up.

Actions: Director of PABV & Secretary

- To note that the Commission would be considering at its March meeting the outputs from the ongoing consultation with councils on its work programme refresh proposals, with a view to approving the programme jointly with the Auditor General.

Thereafter, the Committee noted the report.

5. Performance audit: emerging messages – Children and young people’s mental health

The Committee considered a report by the Director of PABV proposing the emerging messages from the performance audit on children and young people’s mental health.

Following discussion, the Committee agreed:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the audit team in conjunction with the audit sponsors, Sheila Gunn and Geraldine Wooley.
- That the audit team liaise with the sponsors and Auditor General as remaining audit fieldwork is completed.
- Agree that a draft audit report be brought to the Commission meeting in June 2018, prior to publication in September 2018.

Actions: Director of PABV & Secretary

6. Performance audit: emerging messages – Councils’ use of arms-length external organisations

The Committee considered a report by the Director of PABV proposing the emerging messages from the performance audit on councils’ use of arms length external organisations (ALEOs).

Following discussion, the Committee agreed:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the audit team in conjunction with the audit sponsors, Tim McKay and Stephen Moore.
- Agree that a draft audit report be brought to the Commission meeting in April 2018, prior to publication in May 2018.

Actions: Director of PABV & Secretary

7. Performance audit: scope - Health and social care integration: update on progress

The Committee considered a report by the Director of PABV seeking approval of the approach to the performance audit *health and social care integration: update on progress*.

Following discussion, the Committee approved the approach proposed in the report, including the proposed audit scope leaflet for publishing, subject to the audit team addressing the issues raised in discussion in conjunction with the audit sponsors, Sophie Flemig and Pauline Weetman.

Action: Director of PABV

8. Policy briefing: Health, care and communities

The Committee considered a briefing on the update on the work of the policy cluster for health, care and communities. The presentation was delivered by Carol Calder, Leigh Johnston, Ronnie Nicol and Claire Sweeney.

During discussion, the Committee agreed:

- That the outputs from the review of health and care targets and indicators by Professor Harry Burns be considered across appropriate audit work, and a watching brief be retained on developments arising from the review.

- That a watching brief be retained, and reported as appropriate, on long-term trends such as healthy life expectancy and drug deaths.
- To note advice from the Director in this regard that such information is covered in the Auditor General's NHS Overview report.

Actions: Director of PABV

- To note advice from the Secretary that the Commission would be considering the Local Government Benchmarking Framework (LGBF) annual report at its March meeting, and discussing matters arising with the Chair of the LGBF Board at its April meeting.
- To note advice from the Director, in response to a query from Sophie Flemig, that any Commission member is welcome to attend meetings of the Community Empowerment Advisory Group.
- To note the briefing, and to highlight in particular three areas of particular continuing interest, namely:
 - Health and social care integration
 - Local government performance, particularly detailed service performance data.
 - Housing.

9. Any other business

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

PERFORMANCE AUDIT COMMITTEE

MEETING: 14 JUNE 2018

REPORT BY: SECRETARY TO THE COMMISSION

MINUTE OF PREVIOUS MEETING

Introduction

1. This paper provides updated information on the previous minute of the Committee.

Updated information

2. At its meeting on 10 May 2018, the Commission approved the attached minute as a correct record.

Conclusion

3. The Committee is asked to note:
 - The attached minute.
 - Any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
5 June 2018

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 26 APRIL 2018

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of 102 West Port, Edinburgh, on Thursday 26 April 2018, at 2.00pm.

PRESENT: Ronnie Hinds (Chair)
 Alan Campbell
 Sandy Cumming
 Sophie Flemig
 Stephen Moore
 Graham Sharp

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Director of Performance Audit and Best Value (PABV)
 Antony Clark, Assistant Director, PABV [Item 4 and 5]
 Fiona Daley, Consultant, Audit Services [Item 6]
 John Gilchrist, Manager, Appointments and Assurance [Item 6]
 Mark MacPherson, Senior Manager, PABV [Item 5]
 Owen Smith, Senior Manager, Appointments and Assurance [Item 6]
 Rikki Young, Business Manager, PABV [Item 4]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 22 February 2018
4.	Work programme update
5.	Policy briefing: Justice, education and lifelong learning
6.	Audit quality monitoring report Q3/4 2017/18
7.	Any other business

1. Apologies for absence

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

2. Declarations of interest

The following declaration of interest was made:

- Sandy Cumming, in item 5:
 - as Chair of Scotland's Rural College, in relation to references in this regard.
 - as a close family member is employed in relation to early learning and childcare policy, in relation to references in this regard.

3. Minutes of meeting of 22 February 2018

The minutes of the meeting of 22 February 2018 were noted.

Arising therefrom, the Committee agreed, in relation to item 3, first bullet point, to note advice from the Secretary that he was in discussion with the Chair on a programme of lunchtime speakers, which would be shared with Commission members in early course.

4. Work programme update

The Committee considered a report by the Director of PABV providing an update on the parts of the work programme on which the Committee has an oversight and quality assurance role on behalf of the Commission.

During discussion, the Committee agreed:

- To note advice from the Director that the advisory group on community empowerment is chaired by Claire Sweeney, Associate Director, PABV.
- To note advice from the Secretary that proposals for sponsors for forthcoming performance audits was being discussed with the Chair, to be shared with Commission members in early course.
- To note advice from the Secretary and Director that a detailed reporting schedule of programme development outputs would be reported to the Committee at its next meeting.

Action: Director of PABV & Secretary

Thereafter, the Committee noted the report.

5. Policy briefing: Justice, education and lifelong learning

The Committee considered a briefing paper from the Director of PABV on the justice, education and learning policy cluster. The paper was introduced by Mark MacPherson, Senior Manager, PABV and Antony Clark, Assistant Director, PABV.

During discussion, the Committee agreed:

- To note advice from the Director that:
 - equalities and diversity issues were addressed in the briefing paper.
 - in response to a query by Stephen Moore, that monitoring of the passage of the Management of Offenders (Scotland) bill will include

reference to the Probation Service in England and opportunities to learn from its development.

- in response to a query from Alan Campbell, that:
 - the Scottish Government is developing evaluative work around early intervention and prevention
 - he would share with members evaluative work by What Works Scotland in relation to early intervention and prevention.
- in response to a query by Sophie Flemig, that, in line with the Commission's strategy, a user and inequalities focus is considered in the scoping of all performance audit work.
- in response to a query from Sandy Cumming, that the implications of the Scottish Government's Enterprise and Skills Review would feature in appropriate annual audit reports.
- In relation to a query from Ronnie Hinds, that the Director confirm the basis of the 2017 educational attainment results referred to in the briefing paper.
- In relation to a query from Ronnie Hinds, to underline the Commission's interest in ensuring appropriate access to school education data, in pursuit of performance audit work in this regard.

Actions: Director of PABV & Secretary

Thereafter, the Committee noted the briefing paper.

6. Audit quality monitoring report: Q3/Q4 2017/18

The Committee considered a report by the Assistant Director, Appointments and Assurance on the second Audit Quality report following the introduction of the new Audit Quality Framework endorsed by the Accounts Commission in October 2017. The report summarises audit quality activity across all audit work between October 2017 and March 2018.

During discussion, the Committee agreed:

- To note advice from the Appointments and Assurance Team representatives, in response to a query from Alan Campbell, that future reports would report upon auditors' work in relation to material prior period errors.
- To recommend to the Commission that in its reporting of its assurance in its annual report, that consideration be given as to how the Commission reports:
 - its assurance from quality assurance processes in relation to high profile audits.
 - Its assurance from its approach to non-audit services requests and independence.
- To note advice from the Appointments and Assurance Team representatives that the team would continue to monitor the actions taken by audit providers in relation to staff survey results.
- To note advice from the Commission Chair that he was discussing with the Secretary audit quality reports on specific audits.

Actions: Assistant Director, Appointments and Assurance

7. Any other business

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

PERFORMANCE AUDIT COMMITTEE

MEETING: 23 AUGUST 2018

REPORT BY: SECRETARY TO THE COMMISSION

MINUTE OF PREVIOUS MEETING

Introduction

1. This paper provides updated information on the previous minute of the Committee.

Updated information

2. At its meeting on 9 August 2018, the Commission approved the attached minute as a correct record.

Conclusion

3. The Committee is asked to note:
 - The attached minute.
 - Any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
15 August 2018

APPENDIX

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 14 JUNE 2018

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of 102 West Port, Edinburgh, on Thursday 14 June 2018, at 11.00am.

PRESENT: Ronnie Hinds (Chair)
Alan Campbell
Sandy Cumming
Stephen Moore
Graham Sharp

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Director of Performance Audit and Best Value (PABV)
Neil Cartlidge, Audit Manager, PABV [Item 6]
Antony Clark, Assistant Director, PABV [Item 7]
Graeme Greenhill, Senior Manager, PABV [Item 4 & 7]
Leigh Johnston, Senior Manager, PABV [Item 6]
Ronnie Nicol, Assistant Director, PABV [Item 5]
Michael Oliphant, Senior Audit Manager, Audit Services Group (ASG)
[Item 4]
Kirsty Ridd, Senior Auditor, PABV [Item 7]
Claire Sweeney, Associate Director, PABV [Item 6]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 26 April 2018
4.	Policy briefing: Public finances, investment and economic development
5.	How Councils Work: scope – Managing Risk through internal controls: are you getting it right?
6.	Performance audit: emerging messages – Health and social care integration part 2
7.	Impact report: Roads maintenance (follow-up report)
8.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received for Sophie Flemig.

2. Declarations of interest

The following declaration of interest was made:

- Alan Campbell, in item 7, as President of Deeside Thistle Cycling Club.
- Ronnie Hinds, in item 6, as a non-executive director of the Scottish Government.

3. Minutes of meeting of 26 April 2018

The minutes of the meeting of 26 April 2018 were noted, having previously been approved by the Commission.

4. Policy briefing: Public finances, investment and economic development

The Committee considered a report by the Director of PABV introducing the briefing for the Public Finances, Investment and Economy Development (PIE) cluster.

During discussion, the Committee agreed:

- That, in response to a query by Sandy Cumming, the Director and Secretary consider the appropriateness of the Commission responding to the consultation by the National Council of Rural Advisers called 'A rural conversation: together we can, together we will', launched on 12 June.
- To note further in this regard advice from the Secretary that the Commission would be considering a briefing paper on rural issues at its August meeting, as part of its work programme development outputs.
- To note advice from the Director, in response to a query by Ronnie Hinds, that the What Scotland Works paper *Outcomes based approaches in public services reform* would be considered by the team developing the local government overview report.

Action: Director of PABV & Secretary

Thereafter, the Committee noted the report.

5. How Councils Work: scope – Managing risk through internal controls: are you getting it right?

The Committee considered a report by the Director of PABV seeking approval of the approach to the report in the *How Councils Work* series on managing risk through internal controls.

Following discussion, the Committee approved the approach proposed in the report, subject to the audit team addressing the issues raised in discussion in conjunction with the audit sponsors, Alan Campbell, Tim McKay and Stephen Moore.

Action: Director of PABV

6. Performance audit: emerging messages – Health and social care integration: update on progress

The Committee considered a report by the Director of PABV proposing the emerging messages from the performance audit, *Health and social care integration: update on progress*.

Following discussion, the Committee agreed:

- To endorse the emerging messages, subject to revisions and other points raised in discussion, to be addressed by the audit team in conjunction with the audit sponsors, Sophie Flemig and Pauline Weetman.
- That a draft audit report be considered by the Commission at its meeting in September 2018, prior to publication in November 2018.

Actions: Director of PABV and Secretary

7. Impact report: Roads maintenance – a follow-up report

The Committee considered a report by the Director of PABV presenting a draft impact report on the performance audit *Maintaining Scotland's Roads: a follow-up report* which was published in August 2016.

Following discussion, the Committee agreed:

- To approve the draft impact report, subject to revisions and other points raised in discussion, to be addressed by the report team in conjunction with the sponsor, Alan Campbell.
- Associated publication arrangements.
- To recommend to the Commission that the Chair write to stakeholders to publicise the report.
- To note the proposed ongoing programme development activity linked to the roads maintenance policy area.

Actions: Director of PABV & Secretary

8. Any other business

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

PERFORMANCE AUDIT COMMITTEE

MEETING: 27 SEPTEMBER 2018

REPORT BY: SECRETARY TO THE COMMISSION

MINUTE OF PREVIOUS MEETING

Introduction

1. This paper provides updated information on the previous minute of the Committee.

Updated information

2. At its meeting on 13 September 2018, the Commission approved the attached minute as a correct record.

Conclusion

3. The Committee is asked to note:
 - The attached minute.
 - Any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
18 September 2018

APPENDIX

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 23 AUGUST 2018

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of 102 West Port, Edinburgh, on Thursday 23 August 2018, at 14.00.

PRESENT: Ronnie Hinds (Chair)
 Alan Campbell
 Sophie Flemig
 Stephen Moore
 Graham Sharp

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Director of Performance Audit and Best Value (PABV)
 Claire Sweeney, Audit Director, PABV [Items 4 and 6]
 Carol Calder, Senior Manager, PABV [Item 4]
 Leigh Johnston, Senior Manager, PABV [Item 4]
 Ronnie Nicol, Audit Director, PABV [Item 4]
 Sarah Pollock, Audit Manager, PABV [Item 5]
 Rebecca Seidel, Audit Manager, PABV [Item 6]
 Rebecca Smallwood, Senior Auditor, PABV [Item 5]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 14 June 2018
4.	Policy briefing: Health, Care and communities
5.	Audit Quality Report: Improvement actions
6.	Impact report: Community Planning
7.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Andy Cowie and Sandy Cumming.

2. Declarations of interest

No declarations of interest were made:

3. Minutes of meeting of 14 June 2018

The minutes of the meeting of 14 June 2018 were noted, having previously been approved by the Commission.

Arising therefrom, in relation to item 4 (first bullet point), noted advice from the Secretary that Audit Scotland would maintain, on behalf of the Commission, a watching brief on the consultation by the National Council of Rural Advisers called 'A rural conversation: together we can, together we will'.

4. Policy briefing: Health, Care and Communities

The Committee considered a report by the Director of PABV introducing the briefing for the Health, Care and Communities cluster.

During discussion, the Committee agreed:

- That matters around council transparency of budget decisions be considered by the team taking forward the *How Councils Work* report on internal scrutiny.
- That future briefings provide information on delayed discharge performance.
- To note advice from the Director that the forthcoming performance audit on health and social care integration would contain information on total integration authority overspend.
- To note advice from the Director on ongoing discussions with the Auditor General on the reporting of NHS performance and the impact of Barnett consequential in this regard.
- To note the Committee's continuing interest in risk around leadership capacity and capability across public services.

Actions: Director of PABV

Thereafter, the Committee noted the report.

5. Audit quality report: improvement actions

The Committee considered a paper by the Director of Audit Services and Director of PABV advising of how they have addressed matters arising from 2017/18 quality monitoring and reporting.

Following discussion, the Committee:

- Noted advice from the Directors that detailed action plans were in place to address matters arising from 2017/18 quality monitoring and reporting.
- Noted advice from the Directors on Audit Scotland's response to performance matters as indicated in staff feedback.

- Noted advice from the Secretary in relation to forthcoming reporting by the Appointments and Assurance Team of responses to 2017/18 quality monitoring and reporting.

*Action: Secretary, Director of PABV
and Assistant Director, Appointments and Assurance*

Thereafter, the Committee noted the report.

6. Impact report: Community planning: an update

The Committee considered a report by the Director of PABV introducing a draft impact report for the performance audit 'Community Planning: an update' published on 3 March 2016.

Following discussion, the Committee:

- Approved the draft impact report and publish it on the Commission's website.
- Noted that the report would be shared with stakeholders associated with the audit.
- Noted the proposed ongoing programme of joint development activity with scrutiny partners, linked to community planning and community empowerment.
- Further in this regard, to note the Committee's ongoing interest in the Scottish Government's approach to community planning.

Actions: Secretary and Director of PABV

7. Any other business

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

PERFORMANCE AUDIT COMMITTEE

MEETING: 22 NOVEMBER 2018

REPORT BY: SECRETARY TO THE COMMISSION

MINUTE OF PREVIOUS MEETING

Introduction

1. This paper provides updated information on the previous minute of the Committee.

Updated information

2. At its meeting on 11 October 2018, the Commission approved the attached minute as a correct record.

Conclusion

3. The Committee is asked to note:
 - The attached minute.
 - Any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
12 November 2018

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 27 SEPTEMBER 2018

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of Nelson Mandela Place, Glasgow, on Thursday 27 September 2018, at 14.00.

PRESENT: Alan Campbell
 Andy Cowie
 Sandy Cumming
 Sophie Flemig
 Stephen Moore
 Graham Sharp (Chair)

IN ATTENDANCE: Fraser McKinlay, Director of Performance Audit and Best Value (PABV)
 Elaine Boyd, Associate Director, Audit Quality and Appointments [Item 5]
 Fiona Daley, Consultant, Audit Quality and Appointments [Item 5]
 Tricia Meldrum, Senior Manager, PABV [Item 6]
 Mark MacPherson, Senior Manager, PABV [Item 6]
 Mark Roberts, Senior Manager, PABV [Item 6]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 23 August 2018
4.	Performance Audit Programme update
5.	Audit Quality and Appointments progress update 2018/19
6.	Policy briefing: Justice, education and lifelong learning
7.	Any other business

1. Apologies for absence

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

2. Declarations of interest

Sophie Flemig declared her academic employment in relation to education issues covered in Item 6.

3. Minutes of meeting of 23 August 2018

The minutes of the meeting of were noted, having previously been approved by the Commission.

4. Programme update

The Committee considered a report by the Director of PABV providing an update on the parts of the work programme on which the Committee has an oversight and quality assurance role on behalf of the Commission.

During discussion, the Committee agreed:

- That future reports propose as appropriate changes to programming.
- That consideration be given to how the programme can retain a focus on following up on previous audit work (such as the Social Work in Scotland report) and to note the continued role for sponsors in this.

Actions: Director of PABV, Secretary to the Commission

Thereafter, the Committee noted the report.

5. Audit Quality and Appointments progress update 2018/19

The Committee considered a report by the Associate Director of Audit Quality and Appointments (AQA) providing an update on current developments in relation to the audit quality framework, including outlining the timetable for reporting AQA assessment of the quality of audit work commissioned by the Accounts Commission to be delivered in 2018/19. It also provided an update on current developments aimed at strengthening the arrangements for securing audit quality, obtaining evidence and providing assurance to the Committee and the Accounts Commission.

During discussion, the Committee:

- Endorsed the timetable for regular reporting to FAAC and PAC as a basis for providing ongoing assurance on audit quality.
- Noted the progress made in developing and strengthening audit quality policies and procedures.
- Endorsed the principles of a new approach to collecting and analysing client feedback, details of which would be discussed further by the Commission.
- Noted the continuing developments and discussions relating to audit quality key performance indicators.
- Further in regard to key performance indicators, agreed that AQA consider how KPIs should best support intended outcomes.

Action: Associate Director, AQA

- Noted that the Commission will be consulted further over the proposals currently being developed by AQA, in relation to:
 - Proposed process for escalating quality issues
 - Target setting on audits reviewed and Financial Reporting Council gradings
 - Audit quality standards in performance audit and Best Value auditing work.
- With particular regard to the quality escalation process, to note the Commission's desire for safeguards to be in place for any individual responsible for escalation decisions.

Actions: Associate Director, AQA

6. Policy briefing: Justice, education and lifelong learning

The Committee considered a report by the Director of PABV introducing the briefing for the Justice, education and lifelong learning cluster.

During discussion, the Committee agreed:

- To note auditors' ongoing role in monitoring Early Learning and Childcare funding expansion and Pupil Equity Funding.
- That the cluster group develop a working definition of 'outcomes' in relation to work in relation to looked after children.

Action: Director of PABV

Thereafter, the Committee noted the report.

7. Any other business

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

PERFORMANCE AUDIT COMMITTEE

MEETING: 21 FEBRUARY 2019

REPORT BY: SECRETARY TO THE COMMISSION

MINUTE OF PREVIOUS MEETING

Introduction

1. This paper provides updated information on the previous minute of the Committee.

Updated information

2. At its meeting on 6 December 2018, the Commission approved the attached minute as a correct record.

Conclusion

3. The Committee is asked to note:
 - The attached minute.
 - Any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
21 February 2019

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 22 NOVEMBER 2018

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of 102 West Port, Edinburgh on Thursday 22 November 2018, at 14.00.

PRESENT: Ronnie Hinds (Chair)
Alan Campbell
Andy Cowie
Sophie Flemig
Stephen Moore
Graham Sharp

COMMISSION MEMBERS

ALSO PRESENT: Sheila Gunn [Item 5]
Tim McKay [Item 4]

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Director of Performance Audit and Best Value (PABV)
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) [Items 10 to 12]
Douglas Black, Audit Manager, PABV [Item 5]
Carol Calder, Senior Manager, PABV [Items 5 and 6]
Antony Clark, Audit Director, PABV [Items 5, 7, 8, 9 and 12]
Gemma Diamond, Senior Manager, PABV [Item 9]
John Gilchrist, Manager, AQA [Items 10 and 11]
Graeme Greenhill, Senior Manager, PABV [Items 4 and 9]
Martin McLauchlan, Audit Manager, PABV [Item 4]
Tricia Meldrum, Senior Manager, PABV [Item 7]
Rebecca Smallwood, Senior Auditor, PABV [Item 7]
Owen Smith, Senior Manager, AQA [Items 10 and 11]
Rikki Young, Business Manager, PABV [Item 8]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 27 September 2018
4.	How Councils Work: emerging messages - protecting public money
5.	Performance audit: scope - Revenue financing of assets: the non-profit distributing (NPD) and hub models
6.	Performance audit: options paper – Housing in Scotland
7.	Performance audit: impact report: Social Work in Scotland
8.	Work programme update
9.	Policy briefing: Public finances, investment and economic dev
10.	Audit quality: q1/q2 interim report
11.	Audit quality developments
12.	Auditing standards: Best Value and performance audits
13.	Any other business

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 5, as a non-executive Director of the Scottish Government.

3. Minutes of meeting of 23 September 2018

The minutes of the meeting of 27 September 2018 were noted, having previously been approved as a correct record by the Commission.

4. How Councils Work: emerging messages - protecting public money

The Committee considered a report by the Director of PABV proposing the emerging messages for the *How Councils Work report* on 'Managing risk through internal controls'.

Following discussion, the Committee:

- agreed the emerging messages, subject to the audit team addressing, in conjunction with the audit sponsors, Alan Campbell, Tim McKay and Stephen Moore, the issues raised in discussion.
- agreed to consider a draft report at its meeting in February 2019.

Actions: Director of PABV and Secretary to the Commission

5. Performance audit: scope - Revenue financing of assets: the non-profit distributing and hub models

The Committee considered a report by the Director of PABV proposing the approach to the performance audit, in conjunction with the Auditor General, on the use of the Non-profit distributing (NPD) and Hub models of financing public sector capital investment from revenue budgets.

Following discussion, the Committee approved the approach proposed in the report, including the proposed audit scope leaflet for publishing, subject to the audit team addressing, in conjunction with the audit sponsors, Andy Cowie and Sheila Gunn, the issues raised in discussion.

6. Performance audit: options paper – Housing in Scotland

The Committee considered a report by the Director of PABV setting out options for a series of two joint performance audits on housing in 2019/20 and 2021/22.

During discussion, the Committee:

- Agreed to recommend to the Commission, as part of its work programme refresh discussion at its December meeting, that performance audits on new affordable housing and on housing for an older population be programmed for years 2019/20 and 2021/22 respectively.
- Noted that the Director was also discussing such options with the Auditor General.
- Agreed to maintain an interest and watching brief on those other areas discussed in the report with a view to future performance audit work, namely:

- Homelessness, with a focus on use of temporary accommodation
 - Management of housing stock
 - Rent arrears
 - Energy efficiency
 - Fuel poverty.
- Agreed also to add to these areas of interest housing for vulnerable people including those with learning and physical disabilities.

Actions: Director of PABV and Secretary

7. Performance audit: impact report: Social Work in Scotland

The Committee considered a report by the Director of PABV proposing a report on the impact of the national performance audit 'Social Work in Scotland' which was published in September 2016.

During discussion, the Committee:

- approved the draft impact report, subject to the audit team addressing, in conjunction with the audit sponsor, Stephen Moore, the issues raised in discussion.
- approved publication arrangements, subject to further discussion between the Chair and Secretary about how to engage directly with councils on the report.
- agreed that the Commission participate in a proposed event by Social Work Scotland in January 2019 to promote the key messages and recommendations in the original audit report.

Actions: Director of PABV and Secretary

8. Work programme update

The Committee considered a report by the Director of PABV on progress with the range of performance audit work carried out on behalf of the Accounts Commission and Auditor General.

Following discussion, the Committee noted the updates in the report.

9. Policy briefing: Public finances, investment and economic development

The Committee considered a report by the Director of PABV introducing a briefing for the public finances, investment and economic development policy cluster.

During discussion, the Committee:

- Agreed that future such briefings report more clearly on local government specific risks current issues, including reference as appropriate to ongoing audit work.
- In relation to a query from Andy Cowie, noted advice from the Director on a proposed alternative output on cyber security, to feature as part of proposals for the work programme refresh being considered by the Commission at its December meeting.
- In relation to a query from Ronnie Hinds, noted advice from the Director that Scottish Fiscal Commission forecasts will feature in the proposed briefing to

the Commission on the Scottish budget, to be considered at its January meeting.

Actions: Director of PABV, Secretary to the Commission

Thereafter, the Committee noted the briefing.

10. Audit quality: q1/q2 interim report

The Committee considered a report by the Associate Director of Audit Quality and Appointments (AQA) setting out the results of work carried out by AQA in monitoring the quality of audit across all audit providers between April 2018 and September 2018.

During discussion, the Committee noted that the Financial Audit and Assurance Committee had considered the report in depth at its meeting earlier in the day.

Following discussion, the Committee endorsed the report and its conclusions, in particular endorsing the conclusion of the Associate Director, AQA that the quality of audit work is of high quality and requires only limited improvements.

11. Audit quality developments

The Committee considered a report by the Associate Director, AQA, summarising the developments in relation to the work of the AQA team.

During discussion, the Committee agreed:

- To note advice from the Associate Director, in response to a query from Stephen Moore, that AQA have requested information from auditors on numbers of non-audit service requests that they have declined, to be reported to the Commission as part of quality assurance reporting.
- That the Associate Director consider a number of revisions to the draft audit quality investigation and escalation procedure raised by various members, including:
 - In relation to stage 1 of the procedure, recording of decisions and rationale behind decisions.
 - Clarity in relation to stage 2 of the investigation and escalation process, particularly in relation to timescales and responsibilities.
 - Clarity in relation to involvement of and communication with complainants or respondents.
 - Clarity in relation to the appeals procedure.

Action: Associate Director, AQA

- To note advice from the Associate Director that she would report back to the Commission's committees on further work on the draft audit quality investigation and escalation procedure, including consultation with stakeholders.
- To note progress in relation to audit quality key performance indicators, and to note advice from the Associate Director that she would report back to the Commission's committees on further work on the indicators, including consultation with stakeholders.

- To note the timetable of reporting of AQA outputs to the Commission and its committees, to be further discussed and agreed between the Associate Director, AQA and the Commission Secretary.

*Action: Associate Director, AQA
and Commission Secretary*

- To otherwise note progress of the work of AQA.

12. Auditing standards: Best Value and performance audits

The Committee considered a report by the Directors, Audit Services and PABV advising of progress of development of audit approaches in relation to Best Value and performance audits, in line with outputs from quality review activity related to the 2017/18 audit.

During discussion, the Committee agreed:

- To note advice from the Directors on the reasoning behind a proposal to introduce a common set of standards across audit work, including the application of International Organisation of Supreme Audit Institutions (INTOSAI) standards to performance audit work.
- To note the view of the Associate Director, AQA that the proposal is appropriate to allow her to report on quality assurance to the Commission.
- To endorse the proposal.

Action: Director of Audit Services and PABV

13. Any other business

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