

MEETING: 9 DECEMBER 2021

REPORT BY: SECRETARY TO THE COMMISSION

MINUTES OF MEETINGS OF COMMISSION COMMITTEES OF 25 NOVEMBER 2021

Introduction

1. This paper presents for the Commission's approval the draft minutes of the meetings of the Commission's two committees on 25 November 2021.
2. The Commission is also asked to consider approving the recommendations made by both committees to the Commission, as detailed below.

Minutes

3. The minutes attached are as follows:
 - Financial Audit and Assurance Committee (FAAC) Appendix 1
 - Performance Audit Committee (PAC) Appendix 2
 - Joint meeting of committees Appendix 3
4. The Commission is asked to approve these minutes and consider any matters arising.

Recommendations

5. In approving the minutes of the committees, the Commission is deemed to be endorsing the decisions reached by the committees, subject to approving any specific recommendations.

Financial Audit and Assurance Committee

6. The FAAC agreed to make the following specific recommendations to the Commission:
 - To upgrade the risk rating in relation to Commission support arrangements to amber ('controls in place require close monitoring') (item 6 of the minute).
 - That this matter be considered for inclusion in the forthcoming contingency planning exercise (item 6).
 - To include self-evaluation activity as part of the next Commission Strategy Seminar (item 6).
7. The Commission is asked to consider this recommendation for approval.

Performance Audit Committee

8. The PAC made no specific recommendation to the Commission:

Conclusion

9. The Commission is asked to:

- a) Approve the attached minutes and consider any matters arising.
- b) Agree the FAAC recommendations in paragraph 7.
- c) Note any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
26 November 2021

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE
OF 25 NOVEMBER 2021**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held via online meeting on Thursday 25 November 2021 at 9.15am.

PRESENT: Tim McKay (Chair)
Andrew Cowie
Elma Murray
Sharon O'Connor
Pauline Weetman
Geraldine Wooley

OTHER COMMISSION

MEMBERS IN ATTENDANCE: Christine Lester

IN ATTENDANCE: Paul Reilly, Secretary to the Account Commission
Antony Clark, Interim Controller of Audit
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (items 8 and 9)
John Cornett, Audit Director, Audit Services (item 4)
Blyth Deans, Audit Manager, PABV (item 7)
John Gilchrist, Manager, AQA (items 8 and 9)
Leigh Johnston, Audit Manager, PABV (item 7)
Fiona Kordiak, Director of Audit Services
Anne MacDonald, Senior Audit Manager, Audit Services (item 4)
Mark Roberts, Audit Director, PABV (item 7)
Rebecca Seidel, Senior Manager, PABV (item 7)
Owen Smith, Senior Manager, AQA (items 8 and 9)

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 26 August 2021
4. Current audit issues in councils
5. Intelligence report
6. Risk assessment and implications for the work programme
7. Public sector reform and innovation
8. Audit quality interim report
9. Audit quality framework update 2021
10. Any other business

1. Apologies for absence

It was noted that no apologies had been received.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 25 August 2021

The minutes of the meeting of 25 August 2021 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein.

Arising therefrom, the Committee agreed:

- To note advice from Geraldine Wooley that she had submitted her apologies for absence from the meeting.
- To note advice from the Interim Controller of Audit that:
 - In relation to paragraph 4 (first bullet point), that the external auditor had concluded investigations into matters relating to the departure of the former Director of Governance from Glasgow City Council, and had reported that no further audit work is required.
 - In relation to paragraph 4 (second bullet point), that the external auditor had concluded investigations into matters relating to press reports about payments from Strathclyde Pension Fund to a deceased person, and had reported that no further audit work is required.
 - Other matters in relation to paragraph 4 (third, fourth, seventh, eighth, ninth and tenth bullet points) were covered in the report in item 4.
- In relation to paragraph 5 (second bullet point), to note that the action is to be allocated to the Associate Director, Audit Quality and Appointments.

Action: Associate Director, Audit Quality and Appointments
- In response to a query from Pauline Weetman, that future current issues reports (i.e., item 4) include clear cross-referencing to previous committee meeting minutes where appropriate, for ease of reference.

Action: Controller of Audit
- To note advice from the Secretary, in response to a query from Tim McKay on paragraph 5 (third bullet point), that the Commission's welcoming of the revisions in ISA (UK) 240 would be reflected in future reporting of related audit work as appropriate.

4. Current audit issues in councils

The Committee considered a report by the Interim Controller of Audit with a summary of emerging issues and recurring themes across local authorities in Scotland.

During discussion, the Committee:

- Noted the highlighting by the Interim Controller of Audit of the point in his report relating to the independent inquiry commissioned by City of Edinburgh Council into (a) matters connected to the death of a council employee and (b) its whistleblowing and organisational culture, that the external auditor continued to

liaise closely with the Council Chief Executive on the conclusions of the inquiry.

- Noted the highlighting by the Interim Controller of Audit of the point in his report relating to matters associated with (a) the lease by Comhairle nan Eilean Siar of Lews Castle and (b) the procurement by Orkney Islands Council of stone from a quarry in Oban, that he intended currently to report on learning points from procurement governance failures in this regard in the Annual Assurance and Risks Report, which will be considered by the Commission in March 2022.
- Agreed further in this regard, following points by Pauline Weetman and Andrew Cowie:
 - To note advice from the Controller of Audit on the rationale used in his decision to include the matter in the Annual Assurance and Risks Report
 - To note meantime the Controller's intentions and to keep the matter under review.
- Agreed further in this regard, in response to a query from Geraldine Wooley, advice from the Controller of Audit that no correspondence from the public on this matter had been received by Audit Scotland to date.
- Noted the highlighting by the Interim Controller of Audit of the point in his report relating to recruitment and salary setting issues in Orkney and Shetland Valuation Joint Board, that the matter is to be reported in the annual audit report of the Joint Board, upon which he would report further at the next meeting of the Committee.
- Noted the highlighting by the Interim Controller of Audit of the point in his report relating to the independent inquiry commissioned by Scottish Borders Council into its handling of school assault allegations, that he will continue to update the Committee on progress in this regard.
- Noted advice from the Interim Controller of Audit, in response to a query from Andrew Cowie, that he would report further as appropriate on issues arising from capacity issues such as that experienced by the corporate finance function in Angus Council.

Action: Interim Controller of Audit

- Noted advice from the Interim Controller of Audit, in response to a query from Andrew Cowie, that the external auditor was closely monitoring matters relating to continuing capacity issues being experienced by Clackmannanshire Council across some service areas.
- Noted advice from the Interim Commission Chair that she was intending raising the matter of council capacity in her forthcoming regular meeting with the Chief Executive of COSLA.
- Noted advice from the Interim Chair on some personnel changes in Scottish local government that she was aware of.

Following discussion, the Committee:

- Noted Pauline Weetman's thanks to Anne MacDonald for her involvement in the drafting of this report in her time as a member of the Committee.
- Noted the report, taking assurance that the auditors' responses detailed in the

report recognises the scope of the risk identified and reflects the impact on planned audit work.

- Agreed in particular not to recommend to the Commission to direct the Interim Controller of Audit on any matters arising.
- Noted that it would consider under item 6 matters and issues arising from this paper which affect either the business risks of the Commission or audit risk (and thus the planned audit response set out in the work programme).

5. Intelligence report

The Committee considered a report by the Secretary providing six-monthly intelligence about councils from: correspondence to Audit Scotland; the Scottish Public Sector Ombudsman; the Standards Commission for Scotland; and the Scottish Information Commissioner.

During discussion, the Committee:

- Noted advice from Pauline Weetman of the value to the Committee of the information in the report from the Audit Scotland correspondence process.
- Noted advice from the Secretary, in response to a query from Tim McKay, that he would provide further information on decisions taken by the Standards Commission in relation to Fife Council.

Action: Secretary

Following discussion, the Committee:

- Noted advice from the Secretary that he would provide in a future report analysis in this regard covering the current elected council term, which comes to an end in May 2022.
- Noted the report.
- Noted that it would consider under item 6 matters and issues arising from this report which affect either the business risks of the Commission or audit risk (and thus the planned audit response set out in the work programme).

Action: Secretary

6. Risk assessment and implications for the work programme

The Committee considered a report by the Secretary providing an update assessment on business and audit risk.

During discussion, the Committee:

- Noted advice from the Interim Controller of Audit, in response to a query from Geraldine Wooley in relation to the Commission business risk on failure to deliver a quality audit, of the importance in the relationship between the Commission's own business risks and those contained in Audit Scotland's risk register.
- Noted, following a point by the Interim Chair, that the Commission has in place a member development process, rather than an appraisal process.
- Noted advice from the Committee Chair that he would give further thought to how the Committee could increase its effectiveness of monitoring business and audit risk.

- Agreed, following a point by Andrew Cowie, to recommend to the Commission to upgrade the risk rating in relation to Commission support arrangements to amber ('controls in place require close monitoring').
- Agreed further in this regard to recommend to the Commission that this matter be considered for inclusion in the forthcoming contingency planning exercise.

Action: Secretary

- Agreed, following a point by Andrew Cowie, to recommend to the Commission to include self-evaluation activity as part of the next Commission Strategy Seminar.

Action: Secretary

Following discussion, the Committee:

- Agreed the assessment of the controls in place in relation to business risk, subject to revisions agreed in discussion.

Action: Secretary

- Agreed the assessment of the audit response in place in relation to audit risk.
- Agreed that there was no specific action required to inform the next refresh of the work programme at the Commission's December meeting.

7. Public sector reform and innovation

This item was subject of a joint meeting with the Performance Audit Committee and is contained in a separate minute.

8. Audit quality interim report

This item was subject of a joint meeting with the Performance Audit Committee and is contained in a separate minute.

9. Audit quality framework update 2021

This item was subject of a joint meeting with the Performance Audit Committee and is contained in a separate minute.

10. Any other business

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

11. Close of meeting

The meeting finished at 11.00am.

**MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE
OF 25 NOVEMBER 2021**

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held via online meeting on Thursday 25 November 2021, at 12.35pm.

PRESENT: Christine Lester (Chair)
Andrew Burns
Sophie Flemig
Tim McKay
Elma Murray

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Antony Clark, Interim Director of Performance Audit and Best Value (PABV)
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (items 8 and 9)
Angela Canning, Audit Director, PABV (Item 5)
Blyth Deans, Audit Manager, PABV (item 7)
John Gilchrist, Manager, AQA (items 8 and 9)
Leigh Johnston, Audit Manager, PABV (item 7)
Ashleigh Madjitey, Audit Manager, PABV (Item 5)
Jillian Matthew, Senior Manager, PABV (Item 5)
Richard Robinson, Senior Manager, PABV (Item 4)
Mark Roberts, Audit Director, PABV (item 7)
Rebecca Seidel, Senior Manager, PABV (item 7)
Owen Smith, Senior Manager, AQA (items 8 and 9)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 26 August 2021
4.	Performance audit - Scotland's financial response to the Covid-19
5.	Proposed publication: drug and alcohol services
6.	Risk assessment and implications for the work programme
7.	Public sector reform and innovation
8.	Audit quality interim report
9.	Audit quality framework update 2021
10.	Any other business

1. Apologies for absence

It was noted that no apologies had been received.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 26 August 2021

The minutes of the meeting of 26 August 2021 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein.

4. Performance audit - Scotland's financial response to the Covid-19

The Committee considered a report by the Interim Director of PABV seeking the Committee's ratification of the scope of the joint Auditor General for Scotland and Accounts Commission performance audit on Scotland's financial response to Covid-19.

During discussion, the Committee agreed:

- To note advice from the Interim Director on the possibility of further flexibility being required in the reporting timeline, upon which he would report further to the Commission if required.

Following discussion, the Committee agreed:

- Ratify the scope and accompanying issues and investigation matrix of the joint performance audit *Scotland's financial response to Covid-19*, subject to the audit team, in conjunction with the sponsors Sophie Flemig and Sheila Gunn, addressing points raised in discussion.

Action: Interim Director of PABV

- To note the current expectation that the emerging messages and the draft report will be considered by the Commission in February and March 2022 respectively.

5. Proposed publication: drug and alcohol services

The Committee considered a report by the Interim Director of PABV proposing a scope for a publication on drug and alcohol services.

Following discussion, the Committee

- Agreed to identify another sponsor to work alongside Christine Lester.

Action: Secretary

- Approved the proposed scope, subject to the audit team in conjunction with the sponsors addressing points raised in discussion.
- Agreed the proposed approach and timescales for a web-based publication.

6. Risk assessment and implications for the work programme

The Committee considered a report by the Secretary providing an update assessment on business and audit risk.

During discussion, the Committee:

- Noted advice from the Committee Chair on the conclusions reached by the Financial Audit and Assurance Committee on a similar paper at its earlier meeting.
- Noted, following a point by the Interim Chair, that the Commission has in place a member development process, rather than an appraisal process.
- Noted advice from the Secretary, in response to a query from Sophie Flemig, about the critical importance of the need to monitor the controls in place for risks assessed as amber.

Following discussion, the Committee:

- Agreed the assessment of the controls in place in relation to business risk.
- Agreed the assessment of the audit response in place in relation to audit risk.
- Agreed that there was no specific action required to inform the next refresh of the work programme at the Commission's December meeting.

7. Public sector reform and innovation

This item was subject of a joint meeting with the Financial Audit and Assurance Committee and is contained in a separate minute.

8. Audit quality interim report

This item was subject of a joint meeting with the Financial Audit and Assurance Committee and is contained in a separate minute.

9. Audit quality framework update 2021

This item was subject of a joint meeting with the Financial Audit and Assurance Committee and is contained in a separate minute.

10. Any other business

The Committee Chair advised of her interest in considering how the Commission responds on matters relating to refugees. Advice was noted from the Commission Interim Chair in response that this matter could be considered as part of the paper on policy governance to be discussed at a private member forum meeting.

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

11. Close of meeting

The meeting finished at 2.00pm.

**MINUTES OF JOINT MEETING OF COMMISSION COMMITTEES
OF 25 NOVEMBER 2021**

Minutes of a joint meeting of the Financial Audit and Assurance Committee and Performance Audit committees of the Accounts Commission held via online meeting on Thursday 25 November 2021 at 11.05am.

PRESENT: Tim McKay (in the chair)
Andrew Burns
Andy Cowie
Sophie Flemig
Sheila Gunn
Christine Lester
Stephen Moore
Elma Murray
Sharon O'Connor
Geraldine Wooley

IN ATTENDANCE: Antony Clark, Interim Controller of Audit and Director of Performance Audit and Best Value (PABV)
Fiona Kordiak, Director of Audit Services
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (items 2 and 3)
Blyth Deans, Audit Manager, PABV (item 1)
John Gilchrist, Manager, AQA (items 2 and 3)
Leigh Johnston, Audit Manager, PABV (item 1)
Mark Roberts, Audit Director, PABV (item 1)
Rebecca Seidel, Senior Manager, PABV (item 1)
Owen Smith, Senior Manager, AQA (items 2 and 3)

Item No Subject

1. Public sector reform and innovation
2. Audit quality interim report
3. Audit quality framework update 2021

These item numbers are different from the item numbers on the agendas of both committees.

1. Public sector reform and innovation

The committees considered a report by the Interim Director of PABV as a basis for a discussion about the progress and extent of public sector reform and innovation and the role that audit might play in promoting these.

During discussion:

- The committees noted areas of further work and thinking by the Commission to develop the role of audit in:
 - promoting greater cross cross-organisational working and collaborative leadership
 - encouraging more innovation and risk-taking and involving more people in reform processes
 - shifting the debate away from structural changes to reform of how public services are delivered.
- The committees noted advice from the Commission Interim Chair on a private roundtable session that she and the Interim Deputy Chair had with council chief executives.

Following discussion, the committees agreed that the points raised in the discussion be reflected in further thinking around, and development of, of the work programme.

Action: Interim Director of PABV

2. Audit quality interim report

The committees considered a report by the Associate Director of Audit Quality and Appointments (AQA) presenting the Audit Quality Interim Report which summarised the results of AQA's work from 1 April 2021 to 30 September 2021 on the quality of audit planning.

During discussion, the committees:

- Noted advice from the Director of Audit Services and the Associate Director, in response to a query from Tim McKay, in relation to some auditors not using the provided planning template and thus not including Best Value related work in their audit plans.
- Noted advice from Sheila Gunn on feedback from representatives of South Ayrshire Council on the audit process from the recent private meeting with the Council on the recently published Best Value Assurance Report on the Council.
- Noted advice from the Director of Audit Services and the Associate Director, in response to a query from Sheila Gunn, on the difficulties in training new auditors during pandemic restrictions.
- Noted advice from the Associate Director, in response to a point made by Geraldine Wooley, that matters around remotely conducted audit work, including stakeholder and auditor feedback, will feature in the *Quality of Public Audit in Scotland* report, the draft of which will be considered by the Commission in May 2022.

Following discussion, the committees agreed to:

- Endorse the conclusion of the Associate Director that her report provides assurance that appointed auditors are preparing high quality audit plans and confirms that there has been considerable improvement in audit plans since the introduction of the Audit Quality Framework in 2017.
- Note other conclusions in the report, namely:
 - The failure of some auditors to comply with the 2021 guidance on planning the audit in respect of including their best value responsibilities in non-council local government body annual audit plans
 - The progress made with and final position on two Risk of Material Misstatements
 - The progress made by Audit Scotland in response to the issues raised in *Quality of Public Audit in Scotland 2021* report
 - The comments and focus of the Financial Reporting Council relating to audit quality in general and specifically on audit documentation.

3. Audit quality framework update

The committees considered a report by the Associate Director of AQA advising of a planned review of the Audit Quality Framework (AQF)

Following discussion, the committees agreed to:

- Endorse the current thinking of AQA on proposed changes to quality reporting for the AQF.
- Note the planned review of AQF during 2022, to align with new audit appointments and 2021 Code of Audit Practice, including further consultation with the Commission and with a view to presenting a draft revised AQF to the Commission in November 2022.

Close of meeting

The joint meeting of the committees closed at 12.20pm.