

MEETING: 10 JUNE 2021

REPORT BY: SECRETARY TO THE COMMISSION

MINUTES OF MEETINGS OF COMMISSION COMMITTEES OF 27 MAY 2021

Introduction

1. This paper presents for the Commission's approval the draft minutes of the meetings of the Commission's two committees on 27 May 2021.
2. The Commission is also asked to consider approving the recommendations made by both committees to the Commission, as detailed below.

Background

3. The Commission normally approves for its interest the minutes of its committees. The recent review of committees considered their role and their reporting relationship to the Commission. In keeping with this, this report is a new way of presenting the minutes of the Commission's committees. It helps clarify where the committees seek the Commission's approval as appropriate on their conclusions.

Minutes and recommendations

Financial Audit and Assurance Committee

4. The draft minutes of the Financial Audit and Assurance Committee meeting are available in Appendix 1. The Commission is asked to approve these minutes and consider any matters arising.
5. The Committee agreed to make the following recommendations to the Commission:
 - In relation to item 6 (Accounting and auditing developments), the Committee agreed to recommend to the Commission that it delegate to the Interim Chair, Interim Deputy Chair and past FAA Committee Chair to agree the terms of a response to the consultation by the UK Secretary of State for Business, Energy and Industrial Strategy on improving the UK's audit, corporate reporting and corporate governance systems in the private sector.
 - In relation to item 7 (Risk assessment and implications for the work programme), the Committee agreed to recommend to the Commission that further thought be given to ensuring robustness of approach to engaging with the public.
6. The Commission is also asked to note that, in relation to item 4 (Current audit issues in councils), the Committee agreed not to recommend to the Commission to direct the Interim Controller of Audit on any matters arising.
7. The Commission is asked to consider these recommendations for approval.

Performance Audit Committee

8. The full minutes of the Performance Audit Committee meeting are available in Appendix 2. The Commission is asked to approve these minutes and consider any matters arising.

9. The Committee agreed to make the following recommendation to the Commission:

- In relation to item 6 (Risk assessment and implications for the work programme), the Committee agreed to recommend to the Commission that it develop a contingency planning exercise around capacity and responsiveness.

Conclusion

10. The Commission is asked to:

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

Paul Reilly
Secretary to the Commission
1 June 2021

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE
COMMITTEE MEETING OF 27 MAY 2021**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held via online meeting on Thursday 27 May 2021 at 9.15am.

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

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Antony Clark, Interim Controller of Audit
Michelle Borland, Business Manager, Performance Audit and Best Value (PABV) (Item 7)
John Cornett, Audit Director, Audit Services (Item 4)
Anne MacDonald, Senior Audit Manager, Audit Services (Item 4)
Paul O'Brien, Senior Manager, PABV (Item 5)
Mark Roberts, Audit Director, PABV (Item 7)

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 25 February 2021
4. Current audit issues in councils
5. Intelligence report
6. Accounting and auditing developments
7. Risk assessment and implications for the work programme
8. Any other business

1. Apologies for absence

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

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 25 February 2021

The minutes of the meeting of 25 February 2021 were noted, having previously been approved as a correct record by the Commission.

Arising therefrom, advice from the Interim Controller of Audit was noted that monitoring continued of an ongoing investigation into allegations of bullying within East Dunbartonshire Health and Social Care Partnership (i.e. the Integration Joint Board), upon which further progress would be reported to the Committee as appropriate.

*Action: Interim Controller of Audit
and Director of Audit Services*

4. Current audit issues in councils

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

During discussion, the Committee:

- Agreed, further to queries from Pauline Weetman, Geraldine Wooley and Sheila Gunn, to maintain close monitoring of ongoing equal pay claims in Dundee City Council, with the Interim Controller of Audit and Director of Audit Services reporting to the Committee as appropriate.

Action: Interim Controller of Audit

- Agreed, further to a query from Pauline Weetman, to maintain close monitoring of the implementation of a new pay and grading system at Glasgow City Council, with the Interim Controller of Audit and Director of Audit Services reporting to the Committee as appropriate.

Action: Interim Controller of Audit

- Noted further in this regard the ongoing liaison between the appointed auditor and the Council.
- Noted advice from Anne MacDonald, on behalf of the Interim Controller of Audit, on auditor dialogue with councils around the administrative burden to councils of registered charities which fall within the scope of section 106 of the Local Government (Scotland) Act 1973

Action: Interim Controller of Audit

- Agreed, further to a query from Pauline Weetman, that more information be provided on the transfer of the social care finance function from the Inverclyde Council to Inverclyde Integration Joint Board.

Action: Interim Controller of Audit

- Noted advice from the Interim Controller of Audit, in response to a query from Geraldine Wooley, that he was liaising with auditors of the Scottish Government, in conjunction with the Auditor General, on the audit treatment of Scottish Government pandemic-related funding provided to councils.

- Noted advice from the Interim Controller of Audit, in response to a query from Sharon O'Connor, that council financial planning in relation to the resumption or enhancement of services as part of the recovery from the pandemic is an issue that appointed auditors would be considering as part of their annual audit work this year and that this was likely to feature as a theme in future overview reporting.
- Noted advice from the Interim Controller of Audit, in response to a query from Sharon O'Connor, that he was closely monitoring the ongoing legal case in relation to the awarding by Comhairle nan Eilean Siar of the lease of Lews Castle in Stornoway to an external hospitality operator, and the Comhairle's oversight of and response to the matter.
- Noted advice from the Interim Controller of Audit, in response to a query from Andrew Burns, that Scottish Government pandemic-related funding provided to local government would feature as a theme in future overview reporting.
- Noted advice from the Interim Controller of Audit, in response to a query from Tim McKay, on the scope of the review which led to a proposed revised integration scheme between Highland Council and NHS Highland.

Following discussion, 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 7 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 intelligence about councils from various sources: correspondence to Audit Scotland, the Scottish Public Sector Ombudsman, the Ethical Standards Commissioner, the Standards Commission for Scotland and the Scottish Information Commissioner.

During discussion, the Committee:

- Noted advice from the Secretary, in response to a query from Pauline Weetman, that he would provide more information on how respondents in the Audit Scotland correspondence process are advised on options available to them to pursue particular matters with other appropriate bodies.

Action: Secretary

- Noted advice from the Interim Controller of Audit, in response to a query from Tim McKay, on how Audit Scotland deal with whistleblowing cases.

Following discussion, the Committee:

- Noted the report.
- Noted that it will consider under item 7 on the agenda 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).

- Agreed to a shorter version of the report for future meetings.
- Agreed to the proposal in the paper for more up-to-date data in future reporting.

6. Accounting and auditing developments

The Committee considered a report by the Director of Audit Services informing members of recent accounting and auditing developments.

During discussion, the Committee:

- Agreed to recommend to the Commission that it delegate to the Interim Chair, Interim Deputy Chair and past FAA Committee Chair to agree the terms of a response to the consultation by the UK Secretary of State for Business, Energy and Industrial Strategy on improving the UK's audit, corporate reporting and corporate governance systems in the private sector.

Action: Secretary

- Agreed to maintain a watching brief on the announcements of the UK Government in response to the report from Sir Tony Redmond into the local audit of, and financial reporting by, local authorities in England.

Action: Secretary and Director of Audit Services.

Following discussion, the Committee noted the report.

7. Risk assessment and implications for the work programme

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

During discussion, the Committee:

- Noted advice from the Secretary and Mark Roberts about the ongoing development by Audit Scotland Audit Directors Group of a framework for public sector and local government audit risk.

Following discussion, the Committee:

- Endorsed the proposed categories of business risk, subject to further thought being given to:
 - Incorporating risk relating to agility of response of the Commission to matters arising from audit (point raised by Pauline Weetman and Geraldine Wooley).
 - The appropriateness of including risk relating to the conduct of individual members (Geraldine Wooley).
 - Reflecting perception of failure as well as failure itself (Geraldine Wooley).
 - Ensuring that contingency planning and crisis management feature appropriately in controls (Sheila Gunn).
 - Including interim appointments, both to the Commission and the

Controller of Audit role, as a risk in relation to maintaining relationships with partners and external stakeholders (Geraldine Wooley).

- Including audit firms who are appointed as local government auditors as an audit partner (Tim McKay).

Action: Secretary

- Agreed to recommend to the Commission that further thought be given to ensuring robustness of approach to engaging with the public (Elma Murray).

Action: Secretary

- Endorsed the assessment of business risk, further to the Secretary considering the categorisation of risk 1c (relationships with audit partners) and 2c (co-ordinated scrutiny of local government).

Action: Secretary

- Endorsed the assessments of audit risk and thereby agreeing that the planned audit response, as set out in the work programme, is appropriate, subject to noting the Committee's ongoing interest in a number of matters arising in annual audit, as set out in item 4.

Action: Interim Director of PABV

8. Any other business

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

Close of meeting

The meeting finished at 11.00am.

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE
MEETING OF 27 MAY 2021

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held via online meeting on Thursday 27 May 2021, at 11.45am.

PRESENT: Elma Murray (Chair in the absence of Christine Lester)
Andrew Cowie
Sophie Flemig
Tim McKay
Stephen Moore

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Antony Clark, Interim Director of Performance Audit and Best Value (PABV)
Michelle Borland, Business Manager, PABV (Items 4 and 6)
Carol Calder, Senior Manager, PABV (Item 4)
Christopher Lewis, Senior Auditor, PABV (Item 5)
Mark MacPherson, Senior Manager, PABV (Item 4)
Jillian Matthew, Senior Manager, PABV (Item 5)
Mark Roberts, Audit Director, PABV (Items 4 and 6)
Richard Robinson, Senior Manager, PABV (Item 4)
Shelagh Stewart, Senior Manager, PABV (Item 5)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 25 February 2021
4.	Future approach to cluster briefings and update on 'Following the Pandemic Pound'
5.	Social care audit work update
6.	Risk assessment and implications for the work programme
7.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Christine Lester.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 25 February 2021

The minutes of the meeting of 25 February 2021 were noted, having previously been approved as a correct record by the Commission following minor amendment.

4. Future approach to cluster briefings and update on 'Following the Pandemic Pound'

The Committee considered a report by the Audit Director, PABV, updating the Committee on proposals for future cluster briefings on key risks and issues to inform the development of the Commission's work programme, and providing an update on activity associated with 'Following the Pandemic Pound'.

During discussion, the Committee:

- Noted advice from the Interim Director of PABV, in response to a point made by Stephen Moore, that matters relating to excess Covid-19 deaths, waiting times and closure or suspension of services would all be common features of both overview reporting for the Commission and for the Auditor General.
- Noted a link between audit reporting of public service recovery and of workforce planning (point made by Stephen Moore).
- Noted, in relation to the Scottish Government announcement of its plans for government, of the potential of Commission messages around 'investment in health' as opposed to 'investment in the NHS' (Elma Murray).
- Noted a desire that audit reporting ensures an emphasis on improving and learning from public service response to the pandemic (Andy Cowie).
- Noted advice from Mark Roberts, in response to a query from Andy Cowie, on how the Commission will be kept apprised of policy developments between committee meetings, principally through the monthly Secretary and Controller of Audit update reports to the Commission.
- Noted advice from Mark Roberts, in response to a query from Andy Cowie, on planned reporting in relation to infrastructure investment, namely the planned Auditor General briefing on the Infrastructure Investment Plan and on joint reporting on digital exclusion and connectivity.
- Noted that transformation of social care will be a feature of the forthcoming performance audit in this regard (Elma Murray on behalf of Christine Lester).
- Noted the Commission's significant interest in inequalities, and in particular a desire for ensuring that audit reporting underlines messages about exacerbating inequalities, both in terms of those already experiencing inequality and the numbers of people experiencing inequality, including considering an option of a policy cluster briefing in this regard (Elma Murray on behalf of Christine Lester).

Action: Audit Director, PABV

Following discussion, the Committee:

- Agreed the proposed future approach to briefings for the Committee.
- Agreed to review this approach after a cycle of four meetings.

Action: Audit Director, PABV

- Noted that it will 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 responses set out in the work programme).

5. Social care audit work update

The Committee considered a report by the Interim Director of PABV providing a further update on the approach to auditing social care, following the update provided at the Committee meeting on 25 February 2021, which set out the background work carried out so far and emerging issues.

During discussion, the Committee:

- Noted the crossover between this work and that in Best Value auditing of integration joint boards (IJBs), considered to be a high profile area of Commission responsibility (point raised by Andy Cowie).
- Noted the ongoing dialogue between the audit team and appropriate Scottish Government officials on the Feeley Review, thus allowing monitoring of proposed structural change (Andy Cowie).
- Noted its interest in ensuring that proposed outputs maximise the Commission's influence in the ongoing debate and conversation on reforming social care (Sophie Flemig).
- Agreed that care at home be part of the scoping of the work (Elma Murray on behalf of Christine Lester).

Action: Interim Director of PABV

- Agreed that the scope of the work make clear links with wider health matters (Elma Murray on behalf of Christine Lester).

Action: Interim Director of PABV

- Agreed that the scope of the work make clear links with housing policy matters (Elma Murray on behalf of Christine Lester).

Action: Interim Director of PABV

- Agreed that the work consider carefully the assertion that social care reform will ensure that money is 'spent better' in the perception of different stakeholders (Elma Murray on behalf of Christine Lester).

Action: Interim Director of PABV

Following discussion, the Committee:

- Noted the briefing.
- Noted the proposed staged and flexible approach to audit work in this area.
- Noted that the Interim Director of PABV will bring a briefing paper and strategy for future social care audit work to the Commission for consideration in November.

6. Risk assessment and implications for the work programme

The Committee considered a report by the Secretary providing an updated

assessment on business and audit risk.

Following discussion, the Committee:

- Endorsed the proposed categories of business risk, subject to further thought being given to the use of 'public confidence' when referring to reputational risk (point raised by Andy Cowie).

Action: Secretary

- Agreed to recommend to the Commission that it develop a contingency planning exercise around capacity and responsiveness (Andy Cowie).

Action: Secretary

- Noted advice from Mark Roberts, in response to a point by Stephen Moore, about the risks associated with high turnover of senior officers in IJBs, about proposed reporting of matters on leadership in overview reporting.

- Agreed that audit and reporting in relation to inequalities – and the promotion of such work - incorporate matters around people with disabilities (Stephen Moore).

Action: Interim Director of PABV

- Agreed that future reporting of risk to committees incorporate other presentational techniques such as heat maps (Sophie Flemig).

Action: Secretary

- Endorsed the assessment of business risk, subject to recategorising risk 1c (relationships with audit partners) and 2c (co-ordinated scrutiny of local government) to 'decreasing' (Elma Murray).

Action: Secretary

- Endorsed the assessments of audit risk and thereby agreeing that the planned audit response, as set out in the work programme, is appropriate, subject to noting the Committee's ongoing interest in a number of matters arising in annual audit, as set out in items 4 and 5.

Action: Interim Director of PABV

7. Any other business

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

Close of meeting

The meeting finished at 12.40pm.