

**MEETING: 9 SEPTEMBER 2021**

**REPORT BY: SECRETARY TO THE COMMISSION**

**MINUTES OF MEETINGS OF COMMISSION COMMITTEES OF 26 AUGUST 2021**

---

## **Introduction**

1. This paper presents for the Commission's approval the draft minutes of the meetings of the Commission's two committees on 26 August 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**

4. 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
5. The Commission is asked to approve these minutes and consider any matters arising.

## **Recommendations**

### ***Financial Audit and Assurance Committee***

6. The FAAC agreed to make the following specific recommendation to the Commission:
  - That it welcome the revisions in ISA (UK) 240 which are intended to provide clarification in recognition of the recommendation in the Brydon Review (into the quality and effectiveness of audit) on the obligations of auditors in respect of detecting fraud, and to encourage implementation of appropriate changes identified in the recent consultation by the 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 (Item 5, third bullet point).
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 recommendation in paragraph 6.
- c) Note any other updates provided at today's meeting.

**Paul Reilly**  
**Secretary to the Commission**  
**3 September 2021**

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE  
COMMITTEE OF 26 AUGUST 2021**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts  
Commission held via online meeting on Thursday 26 August 2021 at 9.15am.

PRESENT: Tim McKay (Chair)  
Elma Murray  
Sharon O'Connor  
Pauline Weetman

**OTHER COMMISSION**

MEMBER PRESENT: Christine Lester

IN ATTENDANCE: Antony Clark, Interim Controller of Audit  
John Cornett, Audit Director, Audit Services (Item 4)  
Fiona Kordiak, Director of Audit Services  
Anne MacDonald, Senior Audit Manager, Audit Services (Item 4)  
Paul O'Brien, Senior Manager, Performance Audit and Best Value  
(PABV) (Item 5)  
Gillian Woolman, Audit Director, Audit Services (Items 4 and 7)  
Mark Roberts, Audit Director, PABV (Item 8)

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 27 May 2021
4.	Current audit issues in councils
5.	Accounting and auditing developments
6.	Joint strategic discussion – 25 November 2021
7.	Audit Scotland Audit Services Group quality update
8.	Risk assessment and implications for the work programme
9.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Andrew Burns, Sheila Gunn and Geraldine Wooley.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 27 May 2021

The minutes of the meeting of 27 May 2021 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein.

4. Current audit issues in councils

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

During discussion, the Committee:

- Noted advice from the Interim Controller of Audit that the external auditor was investigating matters in relation to the departure of the former Director of Governance from Glasgow City Council, upon which the Controller would report further.
- Noted advice from the Interim Controller of Audit that the external auditor was investigating matters in relation to press reports about payments from Strathclyde Pension Fund to a deceased person, upon which the Interim Controller would report further.
- Noted advice from the Interim Controller of Audit that he is monitoring matters in relation to press reports about statements made by the Chief Executive of Strathclyde Passenger Transport Authority in relation to his personal conduct and the circumstances associated with his early retiral, upon which he was liaising with the appointed auditor and would report further.
- Noted advice from the Interim Controller of Audit, in response to a query by Christine Lester on behalf of Geraldine Wooley, about risks associated with management team make-up at Orkney Islands Council.
- Noted advice from the Interim Controller, in response to a point raised by Pauline Weetman in relation to the accounting treatment for Coronavirus funding, given the potential public profile of the matter, that it be considered as part of the Commission's overview reporting and Annual Assurance and Risks Report.

*Action: Interim Controller of Audit*

- Noted advice from the Interim Controller that he will consider matters in relation to financial leadership in public bodies in the context of the work programme and in relation to dialogue with stakeholders, including liaison with the Auditor General for Scotland given the cross-sector nature of the matters.
- Noted the Committee's ongoing interest in capacity issues in the finance function of Clackmannanshire Council, and agreed that the Controller provide an update on the matter as appropriate (Pauline Weetman).

*Action: Interim Controller of Audit*

- Noted its ongoing concern about the continuing delays in implementing the new pay and grading system in Glasgow City Council (Pauline Weetman).
- Agreed that further information be provided on matters associated with the implementation of new a new payroll and benefit system in East Renfrewshire Council and a new general ledger, accounts payable and payroll systems I Fife Council (Pauline Weetman).

*Action: Interim Controller of Audit*

- Noted advice from the Interim Controller of Audit that he anticipated that the external auditor will report on the investigation into allegations of bullying in East Dunbartonshire Integration Joint Board in the annual audit report (Christine Lester).

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.

#### 5. 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:

- Noted the significance of new UK audit quality standards to the Commission's reporting of audit quality (point raised by Pauline Weetman).
- Agreed that the Associate Director, Audit Quality and Appointments brief the Committee on the impact of the new quality standards on quality reporting to the Commission and review of the audit quality framework (Elma Murray).

*Action: Secretary*

- Recommended to the Commission that it welcome the revisions in ISA (UK) 240 which are intended to provide clarification in recognition of the recommendation in the Brydon Review (into the quality and effectiveness of audit) on the obligations of auditors in respect of detecting fraud, and to encourage implementation of appropriate changes identified in the recent consultation by the 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 (Elma Murray).

*Action: Secretary*

Following discussion, the Committee noted the report.

#### 6. Joint strategic discussion – 25 November 2021

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

7. Audit Scotland Audit Services Group quality update

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

8. 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.

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, and thus agreed that there was no specific action required to inform the next refresh of the work programme at the Commission's December meeting.
- Noted advice from the Commission Chair that she would liaise directly with the Secretary on points arising from the report.
- Noted advice from the Committee Chair that the Secretary will report to the meeting on future reporting in this regard.

9. Any other business

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

10. Close of meeting

The meeting finished at 10.35am

**MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 26 AUGUST 2021**

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held via online meeting on Thursday 26 August 2021, at 11.45am.

PRESENT: Christine Lester (Chair)  
Andy Cowie  
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)  
Pauline Gillen, Senior Audit Manager, Audit Services (Item 4)  
Leigh Johnston, Senior Manager, PABV (Item 4)  
Fiona Kordiak, Director, Audit Services (Item 7)  
Becki Lancaster, Senior Auditor, PABV (Item 4)  
Ashleigh Madjitey, Audit Manager, PABV (Item 5)  
Carolyn McLeod, Audit Director, PABV (Item 4)  
Tricia Meldrum, Senior Manager, PABV (Item 4)  
Claire Richards, Senior Auditor, PABV (Item 4)  
Richard Robinson, Senior Manager, PABV (Item 5)  
Claire Tennyson, Auditor, PABV (Item 4)  
Gillian Woolman, Audit Director, Audit Services (Item 7)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 27 May 2021
4.	Cluster briefing on inequalities
<b>5.</b>	Performance audit - Scotland's financial response to the Covid-19
6.	Joint strategic discussion – 25 November 2021
7.	Audit Scotland Audit Services Group quality update
8.	Risk assessment and implications for the work programme
9.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Stephen Moore.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 27 May 2021

The minutes of the meeting of 27 May 2021 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein.

Arising therefrom, advice was noted from the Interim Director of Performance Audit and Best Value (PABV) that all actions assigned to him in the minutes were being taken forward as part of work programme development and thus reported to the Commission.

4. Cluster briefing on inequalities

The Committee considered a report by the Interim Director, PABV, updating the Committee on key risks relating to inequalities and how these are being considered as part of the work programme.

During discussion, the Committee:

- Agreed that the following themes be considered as part of the further development of the work programme:
  - Prevention, especially given the significant milestone of ten years since the Christie Commission's report (point raised by Andy Cowie).
  - Further in this regard, noting the potential public audit interest in the progress made by bodies such as Public Health Scotland and the Scottish National Investment Bank (Christine Lester).
  - Ensuring a 'wide lens' is applied to considering relevant areas such as child poverty, in other word reporting beyond, for example, progress against targets (Sophie Flemig).
  - More consideration of progress against outcomes, including the National Performance Framework and those at local partnership level (Andy Cowie).

*Action: Interim Director of PABV*

- Noted the importance to audit work of ongoing Scottish Government-led work on improving data at Scottish level and below (Sophie Flemig).
- Noted that further thought would be given by Commission members to points raised in recent Insight sessions in relation to the wellbeing economy (Elma Murray).
- Agreed that, as Audit Scotland develops how it will apply a human rights based approach to audit, that part of this approach include identifying more advanced approaches internationally (Elma Murray).
- Noted advice from Elma Murray on discussions between the Strategic Scrutiny Group and the Scottish Human Rights Commission on the impact on scrutiny of proposed Scottish human rights legislation.

Following discussion, the Committee noted the report.



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

The Committee considered a report by the Interim Controller of Audit with an update on current activities to scope work on Scotland's financial response to Covid-19, a joint performance audit with the Auditor General for Scotland.

During discussion, the Committee:

- Noted the importance of ensuring the reporting clarity on the reliability of data sources.
- Noted that it was anticipated that Commission sponsors have yet to be identified for this work, although it is anticipated from discussion with the Commission Secretary that this will be confirmed in coming days.
- Noted advice from the Interim Director of links between this work and other pieces of work, notably local government and NHS overview work.

Following discussion, the Committee:

- Agree the proposed approach to approving the scope and associated issues and investigation matrix.
- Agreed the timetable for the audit, including noting that the emerging messages would be considered by the Committee at its February 2022 meeting and the draft report considered by the Commission in March or April 2022.

*Actions: Interim Director of PABV*

6. Joint strategic discussion – 25 November 2021

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

7. Audit Scotland Audit Services Group quality update

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

8. Risk assessment and implications for the work programme

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

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, and thus agreed that there was no specific action required to inform the next refresh of the work programme at the Commission's December meeting.
- Noted advice from the Committee Chair that the Secretary will report to the meeting on future reporting in this regard.

9. Any other business

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

meeting.

10. Close of meeting

The meeting finished at 12.50pm.

**MINUTES OF JOINT MEETING OF COMMISSION COMMITTEES OF 26 AUGUST 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 26 August 2021 at 10.45am.

PRESENT: Tim McKay (Chair for item 6)  
Christine Lester (Chair for item 7)  
Andy Cowie  
Sophie Flemig  
Elma Murray  
Tim McKay  
Sharon O'Connor  
Pauline Weetman

IN ATTENDANCE: Antony Clark, Interim Controller of Audit  
Fiona Kordiak, Director of Audit Services  
Gillian Woolman, Audit Director, Audit Services (Item 6)

Item No   Subject

- 6.            Joint strategic discussion – 25 November 2021
- 7.            Audit Scotland Audit Services Group quality update

(Item numbers correspond to the item numbers on the agendas of both committees)

## 6. Joint strategic discussion – 25 November 2021

The Committees considered a report by the Interim Director of PABV proposing a joint strategic discussion session between the Commission's committees on 25 November as part of the ongoing development of the dynamic and agile work programme.

Following discussion, the Committees agree to hold a joint strategic discussion on the topic of 'the Scottish Government's public service reform and Covid-19 recovery agenda' as part of the scheduled committee meetings on 25 November.

## 7. Audit Scotland Audit Services Group quality update

The Committees considered a report by the Director of Audit Services providing an update on the progress made by Audit Scotland in addressing the quality improvement areas identified in the Quality of Public Audit in Scotland 2021 report published in June 2021. The report was made at the request of the Commission having considered a report by the Associate Director, Audit Quality and Appointments (AQA) on the matter at its August meeting.

During discussion, the Committees:

- Noted advice from the Director on:
  - The shape, size and activities of the quality assurance function being developed in Audit Services Group (point raised by Andy Cowie).
  - The resource implications to Audit Service Group of meeting audit quality requirements (Tim McKay).
  - The outputs from root cause analysis activity, including in identifying good practice (Andy Cowie) and learning and development (Tim McKay).
  - Considerations by Audit Services Group of engagement lead activities (Tim McKay).
  - The development of an improvement culture in Audit Services Group (Pauline Weetman).
- Noted the heightened awareness in the audit profession around identifying risks associated with material misstatement (Pauline Weetman).

Following discussion, the Committees:

- Noted the value of engaging directly with an audit provider such as Audit Services Group in addition to the independent quality reporting to the Commission provided by AQA (point raised by Pauline Weetman).
- Noted progress on the actions put in place as a consequence of quality review findings on 2019/20 audits.
- Commended the Director and her team on the improvement actions put in place progress being made.
- Noted that the Associate Director, AQA will provide a further report of progress in her interim quality update report to the committees in November.

## Close of meeting

The meeting closed at 11.30am.