

MEETING: 8 DECEMBER 2022

REPORT BY: POLICY MANAGER, ACCOUNTS COMMISSION

MINUTES OF MEETINGS OF COMMISSION COMMITTEES OF 24 NOVEMBER 2022

Introduction

1. This paper presents for the Commission's approval the draft minutes of the meetings of the Commission's two committees on 24 November 2022.
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 did not make any specific recommendations that would require to be considered by the Commission.

Performance Audit Committee

7. The PAC agreed to make the following specific recommendation to the Commission (in relation to item 6):
 - Authority be delegated to the Chair and Sheila Gunn (as a sponsor of previous work in this area) to hold discussions with Audit Scotland on behalf of the Commission about the nature, scope and branding of the proposed Audit Scotland data-driven output on Covid-19 finances.

Financial Audit and Assurance Committee and Performance Audit Committee

8. The FAAC and PAC, during their joint session, did not make any specific recommendations that would require to be considered by the Commission.

Conclusion

9. The Commission is asked to:

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

Martin McLauchlan
Policy Manager to the Commission
1 December 2022

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE
OF 24 NOVEMBER 2022**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held via online meeting on Thursday 24 November 2022 at 9.15am.

PRESENT: Tim McKay (Chair)
Andrew Cowie
William Moyes
Geraldine Wooley

OTHER COMMISSION
MEMBERS IN ATTENDANCE: Christine Lester
Jennifer Henderson
Ruth MacLeod

IN ATTENDANCE: Antony Clark, Interim Controller of Audit and Executive
Director of Performance Audit and Best Value (PABV)
John Cornett, Executive Director of Audit Services
Elaine Boyd, Director, Audit Quality and Appointments
(AQA) (items 8, 9 and 10)
Blyth Deans, Audit Manager, PABV (item 6)
Fiona Caffyn, Correspondence Officer, PABV (item 5)
Carol Calder, Senior Manager, PABV (item 7)
John Gilchrist, Manager, AQA (items 8, 9 and 10)
Brian Howarth, Audit Director, Audit Services Group (ASG)
(item 4)
Anne MacDonald, Senior Audit Manager, ASG (item 4)
Martin McLauchlan, Policy Manager, Accounts Commission
Kenneth Oliver, Executive Director of Innovation and
Quality (items 8, 9 and 10)
Dharshi Santhakumaran, Correspondence Manager, PABV
(item 5)
Owen Smith, Senior Manager, AQA (items 8, 9 and 10)
Lindsay Stother, Audit Officer, PABV (item 5)

Item No Subject

1. Apologies for absence
2. Declarations of connection or conflict
3. Minutes of meeting of 25 August 2022
4. Current audit issues in councils
5. Intelligence report
6. Risk assessment and implications for the work programme
7. Assurance statement: Use of other scrutiny body intelligence and findings
8. Interim audit quality report
9. Code of Audit Practice: Supplementary guidance – wider scope audit, less complex bodies and Best Value
10. Audit Quality Framework discussion
11. Any other business

1. Apologies for absence

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

2. Declarations of connection or conflict

No declarations of connection or conflict were made.

3. Minutes of meeting of 25 August 2022

The minutes of the meeting of 25 August 2022 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein.

Arising therefrom, the Committee:

- In relation to item 4, it was noted further information was provided on Fife Council's bank reconciliation processes, coverage on workforce planning and issues around the appointment of a Period Dignity Officer by public bodies in the Dundee area. These matters can therefore be considered closed.
- In relation to item 4, it was noted that further information on accounting for infrastructure assets (including roads) is an ongoing issue.
- In relation to item 4, it was noted further information on East Dunbartonshire Council hearings held by the SPSO was requested and further detail does not appear within the November Intelligence Report. This will be circulated to the Committee by the Policy Manager.

Action: Policy Manager

4. Current audit issues in councils

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

During discussion, the Committee:

- Agreed, following a point made by Geraldine Wooley, that the Committee be kept updated on the impact of rent cap legislation on councils.

Action: Executive Directors of PABV and ASG

Following discussion, the Committee:

- Noted the report, taking assurance that the auditors' responses to matters detailed therein recognised the scope of the risk identified and reflected appropriately the impact on planned audit work.
- 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).
- Agreed in particular not to require the Interim Controller of Audit to report in detail on any other matters arising.

5. Intelligence report

The Committee considered a report by the Secretary providing intelligence about councils from various sources including correspondence to Audit Scotland, the Scottish

Public Sector Ombudsman, the Standards Commission for Scotland and the Scottish Information Commissioner.

During discussion, the Committee:

- Agreed, following a query from Tim McKay, that further information be provided about the status and outcome of the two Standards Commission hearings that took place in October and November.

Action: Policy Manager

- Agreed that the Commission Support and Correspondence Teams consider the format, length and nature of the report ahead of it next being presented to the Committee, including consideration of further analysis down to individual council level.

Action: Policy Manager and Correspondence Manager

Following discussion, the Committee:

- Noted the report.

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.

During discussion, the Committee:

- Noted advice from Blyth Deans about the revision of the report appendices to align them to the Commission's priorities and the most recent Annual Assurance and Risk Report.
- Noted advice from Carol Calder about developments around the Strategic Scrutiny Group.

Following discussion, the Committee:

- Requested further consideration be given to how the paper is presented, including consideration of providing more detail about the nature and rationale for specific risks levels being assigned.

Action: Secretary and Policy Manager

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

7. Assurance statement: Use of other scrutiny body intelligence and findings

The Committee considered a report by the Executive Director of PABV providing assurance on the use of other scrutiny body intelligence and findings.

Following discussion, the Committee:

- Noted the report.

8. Interim audit quality report

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

9. Code of Audit Practice: Supplementary guidance – wider scope audit, less complex bodies and Best Value

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

10. Audit Quality Framework discussion

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

11. Any other business

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

Close of meeting

The meeting finished at 10.35 am.

**MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE
OF 24 NOVEMBER 2022**

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held via online meeting on Thursday 24 November 2022 at 12.00pm.

PRESENT: Christine Lester (Chair)
Andrew Burns
Sophie Flemig
Sheila Gunn
Tim McKay
William Moyes

OTHER COMMISSION
MEMBERS IN ATTENDANCE: Jennifer Henderson
Ruth MacLeod

IN ATTENDANCE: Antony Clark, Executive Director of Performance Audit and Best Value (PABV)
Martin McLauchlan, Policy Manager, Accounts Commission
Blyth Deans, Audit Manager, PABV (item 4)
Elaine Boyd, Director, Audit Quality and Appointments (AQA) (items 8, 9 and 10)
Gemma Diamond, Audit Director, PABV (item 7)
John Gilchrist, Manager, AQA (items 8, 9 and 10)
Leigh Johnston, Senior Manager, PABV (item 7)
Mark MacPherson, Interim Audit Director, PABV (item 5)
Ashleigh Madjitey, Audit Manager, PABV (item 6)
Jillian Matthew, Senior Manager, PABV (item 7)
Carolyn McLeod, Audit Director, PABV (item 7)
Tricia Meldrum, Senior Manager, PABV (items 5 and 7)
Kenneth Oliver, Executive Director of Innovation and Quality (items 8, 9 and 10)
Richard Robinson, Senior Manager, PABV (item 6)
Kathrine Sibbald, Senior Manager, PABV (item 7)
Rebecca Smallwood, Audit Manager, PABV (item 5)
Owen Smith, Senior Manager, AQA (items 8, 9 and 10)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of connection or conflict
3.	Minutes of meeting of 25 August 2022
4.	Risk assessment and implications for the work programme
5.	Performance audit: Early learning and childcare: Progress on delivery of the 1,140 hours expansion – emerging messages
6.	Scotland's financial response to Covid-19: Data output appraisal
7.	Cluster briefing on the United Nations Convention on the Rights of the Child and transitions
8.	Interim audit quality report
9.	Code of Audit Practice: Supplementary guidance – wider scope audit, less complex bodies and Best Value

10. Audit Quality Framework discussion
11. Any other business

1. Apologies for absence

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

2. Declarations of connections or conflict

No declarations of connections were made.

3. Minutes of meeting of 25 August 2022

The minutes of the meeting of 25 August 2022 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein.

Arising therefrom, the Committee:

- In relation to item 4, it was noted recent parliamentary engagement has increased and been considered successful.

4. 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 Blyth Deans about the revision of the report appendices to align them to the Commission's priorities and the most recent Annual Assurance and Risk Report, and the potential to consider future reports at joint committee meetings.
- Noted advice from Blyth Deans, in response to a query from Sophie Flemig, that further consideration would be given to the risk information presented, including the potential to present numerical risk ratings.

Following discussion, the Committee:

- Requested further consideration be given to how the paper is presented, including consideration of providing more detail about the nature and rationale for specific risks levels being assigned.

Action: Secretary and Policy Manager

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

5. Performance audit: Early learning and childcare: Progress on delivery of the 1,140 hours expansion – emerging messages

The Committee considered a report by the Executive Director of PABV inviting the Committee to consider the emerging messages from the performance audit on Early learning and childcare: Progress on the delivery of the 1,140 hours expansion.

During discussion, the Committee:

- Agreed, in response to points made by the Executive Director and his team, that a number of issues raised (including expenditure, progress in ensuring the necessary infrastructure is in place, parental survey data and uptake/eligibility data) were live issues that would continue to be monitored.

Following discussion, the Committee:

- Endorsed the emerging messages set out in the report, subject to the audit team addressing in conjunction with the sponsors, Geraldine Wooley and Sophie Flemig, the points raised in discussion.
- Agreed that a draft audit report be brought to the Commission meeting in March 2023, prior to publication in June 2023.

6. Scotland's financial response to Covid-19: Data output appraisal

The Committee considered a report by the Executive Director of PABV providing an update on Audit Scotland's proposed approach to preparing a short data-driven output on Covid-19 finances to be published on Audit Scotland's website in March 2023.

During discussion, the Committee:

- Noted advice from the Executive Director and his team, in response to queries from Sheila Gunn and Sophie Flemig in relation to previous performance audit work in this area, that there is potential value in considering how to comment on lessons learned, wider assessment of value for money assessment and ensuring accessibility of data.
- Discussed the potential for the output to be jointly published by the Commission and Audit Scotland and/or the Auditor General for Scotland.

Following discussion, the Committee:

- Noted Audit Scotland's plan to prepare a data-driven output on Covid-19 finances which will be published on Audit Scotland's website in March 2023, subject to further discussion between the Executive Director of Performance Audit and Best Value, the Chair and Sheila Gunn (as a sponsor of previous work in this area) about the nature and scope of the output.
- Requested these discussions include the opportunity for the Commission to be able to comment on the output as well as promote it, and how it will be badged.

Action: Executive Director of PABV and Chair

7. Cluster briefing on the United Nations Convention on the Rights of the Child and transitions

The Committee considered a report by the Executive Director of PABV providing an update on the impact of commitments by the Scottish Government in relation to the United Nations Convention on the Rights of the Child (UNCRC) on public bodies and highlighting the risks to outcomes for children and young people relating to points of transition between and across services.

Following discussion, the Committee endorsed and noted the report.

8. Interim audit quality report

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

9. Code of Audit Practice: Supplementary guidance – wider scope audit, less complex bodies and Best Value

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

10. Audit Quality Framework discussion

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

11. Any other business

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

Close of meeting

The meeting closed at 1.45 pm.

**MINUTES OF JOINT MEETING OF COMMISSION COMMITTEES
OF 24 NOVEMBER 2022**

Minutes of a joint meeting of the Financial Audit and Assurance and Performance Audit Committees of the Accounts Commission held via online meeting on Thursday 24 November 2022 at 10.45am.

- PRESENT: William Moyes
Nichola Brown
Andrew Burns
Andrew Cowie
Sophie Flemig
Sheila Gunn
Jennifer Henderson
Christine Lester
Ruth MacLeod
Tim McKay (Chair)
Geraldine Wooley
- IN ATTENDANCE: Antony Clark, Executive Director of Performance Audit and Best Value (PABV)
John Cornett, Executive Director of Audit Services
Elaine Boyd, Director, Audit Quality and Appointments (AQA) (items 8, 9 and 10)
John Gilchrist, Manager, AQA (items 8, 9 and 10)
Martin McLauchlan, Policy Manager, Accounts Commission
Blyth Deans, Audit Manager, PABV
Kenneth Oliver, Executive Director of Innovation and Quality (items 8, 9 and 10)
Owen Smith, Senior Manager, AQA (items 8, 9 and 10)

<u>Item no.</u>	<u>Subject</u>
1.	Interim audit quality report
2.	Code of Audit Practice: Supplementary guidance – wider scope audit, less complex bodies and Best Value
3.	Audit Quality Framework discussion

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

1. Interim audit quality report

The committees considered a report by the Director of Audit Quality and Appointments (AQA) presenting the Audit Quality Interim Report which summarised the results of AQA's work from 1 April 2022 to 30 September 2022 on the quality of audit planning.

During discussion, the committees:

- Noted advice from the Director AQA and Executive Director ASG on capacity and timings, including delays resulting from prior year work concluding later than planned and/or the timing of governance committees.
- Noted advice from the Director AQA and Executive Director ASG about a small number of delays being attributable to technical issues relating to the quality of accounts, including the impact of capacity issues at audited bodies.
- Noted advice from the Director AQA and Executive Director ASG that mitigations are in place to ensure consistency in how Best Value and wider scope work is presented within Annual Audit Plans, including the expectation that this issue will not arise in future years.
- Noted advice from the Director AQA, Executive Director ASG and Executive Director I&Q about progress with ensuring fraud is appropriately considered by auditors, including compliance with revisions to ISA 240.

Following discussion, the committees agreed to:

- Endorse the conclusions of the Director.
- Note the other conclusions in the report, namely:
 - the good level of compliance of AAPs with the relevant guidance whilst noting the areas for improvement by some auditors
 - the updated position on Audit Scotland's improvement plans and the recommendation to consolidate them into one quality action plan which should be subject to regular monitoring (including that Audit Scotland provide an update on progress of actions within their consolidated quality action plan early in the new year).

Action: Exec Directors ASG and I&Q

- the positive steps that have been taken by Audit Scotland to implement improvements and the need to increase the pace of the change to support audit staff deliver high quality audits
- the continuing need to closely monitor the delivery of 2021/22 audits
- the assurance provided by AQA and Professional Support's quality checks that the breach of ISA 700 (UK) found by ICAS in their quality review of the 2020/21 National Records of Scotland audit was an isolated issue
- the work done by AQA to monitor audit quality risks emerging from the wider audit profession and how they could impact upon the audit of the Scottish public sector.

2. Code of Audit Practice: Supplementary guidance – wider scope audit, less complex

bodies and Best Value

The committees noted the Supplementary guidance to the Code of Audit Practice on wider scope audit, less complex bodies and Best Value.

During discussion, the committees:

- Agreed to the Director AQA providing further contextual information related to Best Value reporting in Year 1 (paragraph 48 of the guidance).

Action: Director AQA

3. Audit Quality Framework discussion

The committees considered a report by the Director of Audit Quality and Appointments (AQA) prepared for discussions with stakeholders on the development of the next Audit Quality Framework (AQF).

During discussion, the committees:

- Discussed the nature and value of Key Performance Indicators (KPIs) in assessing quality, particularly the need to be clear about the rationale for any overall expansion in the number of KPIs. .
- Noted advice from Director AQA on the sequencing of approval as presented in the timeline and the role of the Audit Committee.
- Noted the importance of the Partnership Working Framework in ensuring the Commission's expectations are met.

Following discussion, the committees agreed to:

- Note the success of the AQF to date and the international comparison findings.
- Agree the proposed timeline and approval route, subject to further consideration and clarification on both the timing of Commission engagement and the role of the Audit Committee.

Action: Director AQA

Close of meeting

The meeting closed at 12.05 pm.