

MEETING: 10 MARCH 2022

REPORT BY: SECRETARY TO THE COMMISSION

MINUTES OF MEETINGS OF COMMISSION COMMITTEES OF 24 FEBRUARY 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 February 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
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:
 - That the Commission's approach to its self-evaluation be considered as part of the Strategy Seminar (paragraph 3 of the minute).
 - That the Commission respond to the emergency consultation by the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board (CIPFA/LASAAC) on proposals by the Department for Levelling Up, Housing and Communities (DLUHC) on accounting requirements in the light of continuing delays in competing local audits in England (paragraph 6).
 - That the Commission response reflect that:
 - It does not agree with the proposal from CIPFA/LASAAC that accounts preparers should have the option to pause professional revaluation of property, plant and equipment.
 - It does not agree with the CIPFA/LASAAC proposal that preparers should have the option to pause revaluation and adopt an indexation approach.
 - It does not support further deferral of implementation of International

Financial Reporting Standard 16 on lease accounting, as proposed by CIPFA/LASAAC.

- That the Commission encourage appointed auditors to liaise with their audited body to draw attention to the emergency consultation.
7. The Commission is asked to note that given the short timescale involved in the consultation, the Commission Chair implemented these recommendations on the Commission's behalf. The Commission is therefore asked to agree retrospectively to this action.

Performance Audit Committee

8. The PAC agreed to make the following specific recommendations to the Commission:
- That it consider its definition of and approach to human rights (paragraph 4 of the minute).
 - That it consider how to apply a 'stress testing' approach to public services in relation to the financial and social impact of Covid-19 (paragraph 4).
 - That it consider public involvement and participation in audit work (paragraph 4).
 - That it consider the effect on its audit reporting and its responsibilities of the United Nations Convention on the Rights of the Child (paragraph 4).
 - That it continue to monitor the effect of the planned reform of social care on relationships between local government, Scottish Government and the third sector (paragraph 4).
 - That its work be provided to public inquiries at Scottish and UK levels into the impact of the Covid-19 pandemic (paragraph 5).
 - That Stephen Moore has authority to agree the final blog on additional support needs (paragraph 7).
 - That Andrew Burns and Sophie Flemig have authority to agree the approach to the briefing paper on child poverty, along with the Auditor General (paragraph 7).

Conclusion

9. The Commission is asked to:
- a) Approve the attached minutes and consider any matters arising.
 - b) Agree the committee recommendations in paragraphs 6 to 8.
 - c) Note any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
2 March 2022

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

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

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

OTHER COMMISSION
MEMBERS IN ATTENDANCE: Christine Lester

IN ATTENDANCE: Paul Reilly, Secretary to the Account Commission
Antony Clark, Interim Controller of Audit
Fiona Kordiak, Director of Audit Services (item 5)
Anne MacDonald, Senior Audit Manager, Audit Services (item 4)
Paul O'Brien, Senior Manager, Performance Audit and Best Value (PABV) (items 5 and 6)
Gillian Woolman, Audit Director, Audit Services (item 6)

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 25 November 2021
4. Current issues from the local authority audits
5. Accounting and auditing developments
6. Accounting code implications arising from delays in local audit in England
7. Risk assessment and implications for the work programme
8. Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Sharon O'Connor.

2. Declarations of interest

The following declaration of interest was made:

- Geraldine Wooley, in items 5 and 6, as a member of Fife Valuation Appeals Committee and as a member of the Royal Institution of Chartered Surveyors, in relation to references to non-domestic rates.

3. Minutes of meeting of 25 November 2021

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

The Committee noted that at that meeting, the Committee Chair had thanked Pauline Weetman for her service to the Committee as a Chair and member.

Arising therefrom, the Committee:

- In relation to paragraph 5 (second and third bullet points), noted advice from the Secretary that information on (i) decisions taken by the Standards Commission in relation to Fife Council; and (ii) analysis of intelligence covering the current elected council term, would be provided in the intelligence report scheduled for the next meeting of the Committee.
- In relation to paragraph 6 (sixth bullet point), noted advice from Andrew Cowie on the importance to the Commission of ensuring that it can provide assurance to stakeholders on its approach to self-evaluation, to show consistency with its requirements on councils in this regard as set out in the Statutory Performance Information Direction.
- Agreed further in this regard to recommend to the Commission that this matter be considered as part of the Strategy Seminar.

Action: Secretary

4. Current issues from the local authority audits

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:

- Noted advice from the Interim Controller of Audit on his monitoring and ongoing liaison with the appointed auditor of South Ayrshire Council in relation to concerns raised in whistleblowing correspondence about additional responsibility allowances and severance packages paid to two former employees, upon which he would report further.
- Noted advice from the Interim Controller of Audit on his monitoring and ongoing liaison with the appointed auditor of Comhairle nan Eilean Siar in relation to correspondence received about the process through which senior council officers were appointed as Depute Monitoring Officers under the Local Government and Housing Act 1989, upon which he would report further.
- Noted, in response to a point made by Geraldine Wooley, the Commission's

interest in capacity in councils and associated workforce planning issues, including in particular relating to finance staff, to be considered in the context of its work programme.

Action: Interim Director of PABV

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. Accounting and auditing developments

The Committee considered a report by the Director of Audit Services on accounting and auditing developments since the previous meeting of the Committee.

Following discussion, the Committee:

- Noted the report, in particular minor wording changes to the model form of Independent Auditor's Reports to be used by appointed auditors for 2021/22 audits, the technical guidance on which will be made to members once available.

Action: Senior Manager, PABV (Paul O'Brien)

- Noted that it would consider under item 7 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).

6. Accounting code implications arising from delays in local audit in England

The Committee considered a report by the Audit Director, Audit Services Group advising of continuing significant delays in completing local audits in England and how this is impacting on the work of the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board (CIPFA/LASAAC), on which Audit Scotland is represented, and in particular advising of an emergency consultation by CIPFA/LASAAC in this regard.

Following discussion, the Committee:

- Noted the commitment by CIPFA/LASAAC to maintain a high standard of financial reporting for local government that secures a true and fair view in accounts.
- Agreed to recommend to the Commission that it respond to the CIPFA/LASAAC emergency consultation reflecting that:
 - It does not agree with the proposal from CIPFA/LASAAC that accounts preparers should have the option to pause professional revaluation of property, plant and equipment.
 - It does not agree with the proposal from CIPFA/LASAAC that preparers

should have the option to pause revaluation and adopt an indexation approach.

- It does not support further deferral of implementation of International Financial Reporting Standard 16 on lease accounting, as proposed by CIPFA/LASAAC.

Action: Secretary

- Agreed to recommend to the Commission that it encourage appointed auditors to liaise with their audited body to draw attention to the emergency consultation.

Action: Secretary

- Noted advice from the Secretary that given the short timescale involved in the consultation, the Commission Chair will implement these recommendations on the Commission's behalf, to be agreed retrospectively by the Commission thereafter at its March meeting.

Action: Secretary

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.

Following discussion, the Committee:

- Agreed the assessment of the controls in place in relation to business risk, subject to:
 - Noting developments in relation to the Commission member development programme, and agreeing that the risk assessment updated accordingly (point raised by Andrew Cowie).
 - Noted further in this regard advice from the Commission Chair on the importance he places in the member development programme in relation to the future shaping of the Commission.
 - Increasing the level of risk assessment in relation to Commission strategy and in particular reporting on Best Value in relation to health and social care and in particular integration joint boards, thus reflecting the Scottish Government's plans for a National Care Service (Christine Lester).
 - Noted further in this regard advice from the Interim Controller of Audit of forthcoming discussions by the Best Value Working Group on this matter.
 - Noting advice from the Secretary, in response to a query from Geraldine Wooley, that he would consider how to refine the reporting of changes to levels of risk.

Actions: Secretary

- Agreed the assessment of the audit response in place in relation to audit risk, subject to:
 - Noting developments in relation to the ongoing consultation by the Scottish Government on its plans for a National Care Service, and how these developments increase risk in the audit response in this regard, particularly on risks around collaborative working and service redesign (Andrew Cowie).

- Increasing the risk assessment in relation to workforce planning and ensuring clear reference to council capacity, in line with item 4 (third bullet point) above. (Geraldine Wooley)
- Increasing the risk assessment in relation to council leadership both in the run-up to and after the forthcoming local government elections (Geraldine Wooley).
- Agreed that more consistency be applied between the structure of reports to the Committee, particularly item 4, and audit risks (William Moyes).

Action: Secretary

- Noted further in this regard from the Secretary that he would be discussing further with Audit Scotland how to have more consistency between the risk categorisation approach by Audit Scotland and by the Commission.
 - Noted further in this regard advice from the Interim Controller of Audit on risks and proposals included in his Annual Assurance and Risks Report, to be considered by the Commission at its March meeting.
- Agreed that there was no specific action required to inform the next refresh of the work programme at the Commission's March meeting.
 - Agreed nevertheless that the Interim Director of PABV reflect on the audit risk reassessments set out above in relation to the work programme.

Action: Interim Director of PABV

8. Any other business

The Committee Chair advised that this would be last meeting of the Committee attended by Fiona Kordiak, Director of Audit Services, who would be leaving Audit Scotland in March. He thanked her for her work with the Committee and the Commission as a whole, and conveyed best wishes to her. In turn, Fiona thanked the Committee for their engagement with her.

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

Close of meeting

The meeting finished at 10.50am.

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

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held via online meeting on Thursday 24 February 2022, at 11.15am.

PRESENT: Christine Lester (Chair)
Andrew Burns
Sophie Flemig
Sheila Gunn
Stephen Moore
William Moyes

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Antony Clark, Interim Director of Performance Audit and Best Value (PABV)
Douglas Black, Audit Manager, PABV (item 7)
Fiona Brannigan, Senior Auditor, PABV (item 6)
Corrinne Forsyth, Senior Auditor, PABV (item 7)
Mark MacPherson, Senior Manager, PABV (item 7)
Ashleigh Madjitey, Audit Manager, PABV (Item 5)
Carolyn McLeod, Audit Director, PABV (item 7)
Tricia Meldrum, Senior Manager, PABV (item 7)
Mark Roberts, Audit Director, PABV (item 4)
Richard Robinson, Senior Manager, PABV (Item 5)
Sally Thompson, Audit Manager, PABV (item 6)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 25 November 2021
4.	Cluster briefing: Themes and impact on the work programme
5.	Emerging messages: Performance audit – Scotland's financial response to Covid-19
6.	Scope: Local government climate change briefing
7.	Forthcoming Justice, Education and Lifelong Learning cluster outputs
8.	Risk assessment and implications for the work programme
9.	Any other business

1. Apologies for absence

It was noted that Sharon O'Connor had submitted her apologies for being unable to attend the meeting in relation to item 6.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 25 November 2021

The minutes of the meeting of 25 November 2021 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein, subject to noting that Sheila Gunn had been present at the meeting.

4. Cluster briefing: themes and impact on the work programme

The Committee considered a report by the Interim Director of PABV proposing consideration of themes emerging from policy cluster briefings that it considered over the past year, potential future themes for briefings, and how the themes that have emerged through the briefings might be reflected in the forward work programme.

Following discussion, the Committee:

- Agreed, in response to a point from Stephen Moore, to recommend to the Commission that it consider its definition of and approach to human rights.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point from Stephen Moore, to recommend to the Commission that it consider how to apply a 'stress testing' approach to public services in relation to the financial and social impact of Covid-19.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point from Sophie Flemig, to recommend to the Commission that it consider public involvement and participation in audit work.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point from Sophie Flemig, to recommend to the Commission that it consider the effect on its audit reporting and its responsibilities of the United Nations Convention on the Rights of the Child.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point from Sophie Flemig, to recommend to the Commission that it continue to monitor the effect of the planned reform of social care on relationships between local government, Scottish Government and the third sector.

Action: Secretary and Interim Director of PABV

- Agreed, in response to a point by Andrew Burns, that further briefings be considered relating to the impact on councils and integration joint boards of economic and financial risks and issues as noted in the report.

Action: Interim Director of PABV

5. Emerging messages: Performance audit – Scotland's financial response to Covid-19

The Committee considered a report by the Interim Director of PABV proposing the

emerging messages from the performance audit, in conjunction with the Auditor General, on Scotland's financial response to Covid-19, providing an update on progress made to the audit to date and proposing the next steps.

During discussion, the Committee:

- Agreed, in response to a point made by Stephen Moore and William Moyes, to recommend to the Commission that its work be provided to public inquiries at Scottish and UK levels into the impact of the Covid-19 pandemic.

Action: Secretary

- Agreed, in response to a point from William Moyes, the importance of the public as the core audience in the promotion of the report.

Action: Secretary and Interim Director of PABV

Following discussion, the Committee:

- Endorsed the emerging messages set out in the report, subject to the audit team addressing in conjunction with the sponsors, Sophie Flemig and Sheila Gunn, the points raised in discussion.
- Agreed that a draft audit report be brought to the Commission meeting in April 2022, prior to publication in June 2022.

Actions: Interim Director of PABV

6. Scope: Local government climate change briefing

The Committee considered a report by the Interim Director of PABV seeking approval of the proposed scope of a briefing on local government's strategic approach and commitments for addressing climate change and moving towards net zero.

Following discussion, the Committee approved the scope and timing of the briefing, to be published in August 2022, subject to the audit team addressing in conjunction with the sponsors, Andrew Burns and Sharon O'Connor, the points raised in discussion.

Action: Interim Director of PABV

7. Forthcoming Justice, Education and Lifelong Learning cluster outputs

The Committee considered a report by the Interim Director of PABV proposing governance arrangements for two upcoming Justice, Education and Lifelong Learning cluster outputs, namely a blog on additional support needs and a joint briefing with the Auditor General for Scotland on child poverty.

Following discussion, the Committee:

- Agreed the aims and proposed approach to the blog on additional support needs as set out in the report.
- Agreed the potential aim and areas to cover in the briefing paper on child poverty as set out in the report, to be agreed with the sponsors Andrew Burns and Sophie Flemig and the Auditor General.
- Agreed to recommend to the Commission that Stephen Moore has authority to agree the final blog on additional support needs.
- Agreed to recommend to the Commission that Andrew Burns and Sophie Flemig have authority to agree the approach to the briefing paper on child poverty, along with the Auditor General.

Actions: Interim Director of PABV

8. 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:

- Agreed the assessment of the controls in place in relation to business risk, subject to:
 - Ensuring, reflection and reporting of the readiness of the Commission and the public sector to a future significant event like the Covid-19 pandemic (in relation to item 5 above) (point raised by Sheila Gunn).

Action: Secretary

- Agreed the assessment of the audit response in place in relation to audit risk.

Action: Secretary

- Agreed that thought be given on how to introduce an assessment of mitigation into future risk reporting. (point raised by Sophie Flemig).

Action: Secretary

- Agreed that future reporting of audit risk include reference to work by scrutiny partners and the Improvement Service (Stephen Moore).

Action: Secretary

- Agreed that there was no specific action required to inform the next refresh of the work programme at the Commission's March meeting.

- Agreed nevertheless that the Interim Director of PABV reflect on the audit risk reassessments set out above in relation to the work programme.

Action: Interim Director of PABV

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 12.45pm.