

Minutes

Joint meeting of the Financial Audit and Assurance and Performance Audit Committees
Thursday 24 August 2023, 10.30 am
Online via Microsoft Teams

Present:

Ronnie Hinds (Interim Chair)
Andrew Burns
Andrew Cowie
Carol Evans
Jennifer Henderson
Angela Leitch
Christine Lester
Ruth MacLeod
Mike Neilson
Derek Yule

Apologies:

Apologies were received from Malcolm Bell and Nichola Brown

In attendance:

Allan Campbell, Secretary to the Commission
Helena Gray, Controller of Audit
Elaine Boyd, Director, Audit Quality and Appointments (AQA) (item 1)
Owen Smith, Senior Manager, AQA (item 1)
Kenny Oliver, Executive Director of Innovation and Quality
Antony Clark, Executive Director of Performance Audit and Best Value (PABV)
John Cornett, Executive Director of Audit Services
Mark Taylor, Audit Director, PABV

1. Interim audit quality report

The Committees considered a report by the Audit Quality and Appointments (AQA) team, providing an update on Audit Quality.

During discussion, the Committee: discussed the following:

- Elaine Boyd confirmed there has been a good level of compliance of annual audit plans (AAPs) with the 2021 Code of Audit Practice.
- In terms of audit delivery timescales, performance against target dates is similar to last year, despite the restricted timescales and it being the first year of the new audit appointments. It was pointed out that under the reduced timescales as part of the recovery from the pandemic, the target date has come forward from 31 October in 2022 to 30 September in 2023; on a like-for-like basis, significantly more audits were

completed by the same date this year compared to last year, and this year's target date will be used as a standardised date for comparison in future years.

- It was advised the Audit Scotland quality improvement plan is now progressing which will be reflected in June in the Quality of Public Audit in Scotland (QPAS) report published alongside the Accounts Commission and Audit Scotland's Annual Reports – although the improvement plan itself it may not be completed prior to the QPAS. For comfort Elaine Boyd advised that Innovation and Quality (I&Q) are undertaking hot reviews to track progress alongside external reviews by the ICAEW throughout the year.
- Elaine Boyd provided reassurance on the estimate that 70% of ASG 2023/24 audits will be delivered within planning guidance timescales. It was advised that the priority is audit quality rather than delivery targets.
- In relation to paragraph 40, Committee members queried why KPMG and Grant Thornton delivery figures were lower in comparison to other providers. AQA colleagues advised there were genuine reasons for the lower delivery figures and there is no fundamental issue with the audits. Owen Smith clarified that although some audit firms have fewer audits than others, each firm has a similar size of portfolio in terms of value.
- Elaine Boyd responded to a query regarding paragraph 50 relating to engagement with councils on specific issues such as valuations and increased prior year adjustments. It was advised individual auditors have different approaches to risk and AQA colleagues are working with providers to understand these. AQA advised audit rotation provided overall reassurance of audit quality. Additionally specific issues such as valuations are addressed through technical guidance notes developed by Audit Scotland colleagues and other providers and discussed with Council Directors of Finance on a regular basis.

Action – Director of AQA

- Elaine Boyd responded to a question about a decline in timeliness of Local Government audits. It was highlighted that the sector includes a number of very small bodies / funds in addition to councils and IJBs. It was agreed AQA, and the Commission should further evaluate local government audit delivery as it is very complex due to the make-up of the audited bodies. John Cornett and Ronnie Hinds advised of discussions with LASAAC and CIPFA regarding the complexity of Local Government accounts with an aim to consolidate and simplify them.

Following discussion, the Committee noted the recommendations outlined in the paper.

2. Commission business and audit risk management arrangements

The Committees considered a report by the Secretary to the Accounts Commission, providing an update on Commission business and the audit risk management arrangements.

During discussion, the Committee was supportive of the approach outlined in paragraph 6 of the cover paper.

It was agreed that the extent to which the question of the Commission's "impact" plays into considerations around risk should be included in the forthcoming review. Committee members discussed introducing RAG scoring and outlining the Commission's risk appetite

as part of the review. There was also discussion of the various forms and sources of information or intelligence that are gathered and ensuring that these feed into the risk management process.

Following discussion, the Committee agreed it is the ideal opportunity for the review of the Commission's risk arrangements and looked forward to seeing an update at either the next Committee meeting or a Commission meeting.

Action – Commission Support team

Close of meeting

The meeting finished at 11.20 am.