



**Financial Audit and Assurance
Committee minutes**

2021

MEETING: 11 MARCH 2021

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF 25
FEBRUARY 2021**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held via online meeting on Thursday 25 February 2021 at 9.15am.

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

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Michelle Borland, Business Manager, Performance Audit and Best Value (PABV) (Item 4)
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 6)
John Cornett, Audit Director, Audit Services (Item 5)
John Gilchrist, Manager, AQA (Item 8)
Fiona Kordiak, Director of Audit Services (Item 5)
Anne MacDonald, Senior Audit Manager, Audit Services (Item 5)
Mark Roberts, Audit Director, PABV (Item 4)
Owen Smith, Senior Manager, AQA (Item 6)

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 26 November 2020
4.	Work programme update
5.	Current audit issues in councils
6.	* Audit delivery and quality update
7.	Any other business

* This item was considered in a joint session with the Performance Audit Committee. Only points raised by members of the Financial Audit and Assurance Committee are contained in this minute.

1. Apologies for absence

It was noted that apologies for absence had been received from Sheila Gunn.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 26 November 2020

The minutes of the meeting of 26 November 2020 were noted, having previously been approved as a correct record by the Commission.

4. Work programme update

The Committee considered a report by the Audit Director, PABV, providing an update on the progress of the local government annual audit programme, the joint Commission and Auditor General for Scotland short-term work programme for 2020/21, Best Value assurance work, and wider Covid-19 development work.

During discussion, the Committee:

- Noted advice from the Director Audit Services on progress with the two outstanding local government financial statements audits (namely Falkirk Council and the West of Scotland Archaeology Service), meaning that all audits will have been signed off by the end of February.
- Noted advice from the Committee Chair that the Best Value Working Group had agreed at its 16 February meeting to recommend to the Commission a revised schedule of Best Value Assurance Reports taking account of continued restrictions and operational challenges.

Following discussion, the Committee noted the report.

5. Current audit issues in councils

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

During discussion, the Committee:

- Noted advice from the Director, in response to a point made by Stephen Moore to the Committee Chair, on the close monitoring 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: Director of Audit Services

- In response to a point by Andrew Burns, agreed that the Secretary liaise with the Electoral Management Board for Scotland to establish their views on relevant matters in relation to council capacity in connection with the forthcoming Parliamentary elections.

Action: Secretary

- Noted advice from the Director, in response to a point by Geraldine Wooley, that she would provide further information on ongoing CIPFA consultations on updates to the Prudential Code and the Treasury Management Code.

Action: Director of Audit Services

- In response to a query from Elma Murray, agreed that the Director provide further information on numbers of recipients of council tax reduction.

Action: Director of Audit Services

- Noted advice from the Director, in response to a query from Pauline Weetman, that close monitoring would continue of ongoing equal pay claims in Dundee City Council, reporting to the Committee as appropriate.

Action: Director of Audit Services

- Noted advice from the Director, in response to a query from Tim McKay, that she would consider the scope for councils learning from Dumfries and Galloway Council's review of its termination of its trunk road maintenance management contract which had been in place between 2013 and 2018.

Action: Director of Audit Services

- Noted advice from the Director, in response to a query from Pauline Weetman, that she would provide further information on the extent, understanding and use of loan repayment 'holidays'.

Action: Director of Audit Services

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.

6. * Audit delivery and quality update

The Committee considered a report by the Associate Director, Audit Quality and Appointments (AQA) on audit delivery for 2019/20 audit work and progress by AQA on actions agreed at previous Accounts Commission meetings.

During discussion, the Committee:

- Noted advice from the Associate Director and the Director of Audit Services on ongoing consideration of revised annual audit deadlines to reflect pressures associated with the Covid-19 pandemic, which the Commission will consider further in due course.
- Noted advice from the Associate Director that she would be proposing to the Commission at its March meeting a draft audit quality complaints procedure and reporting on ongoing audit quality development work.
- Noted further advice in this regard from the Associate Director, in response to a query from Pauline Weetman, that she would include in her report any legal or regulatory matters associated with the proposed procedure.

Action: Associate Director AQA

- Noted advice from the Associate Director that she would be reporting to the Commission at its May meeting on the annual audit quality report, as well as further updates on audit quality development work.
- Noted advice from John Gilchrist, in response to a query from Geraldine Wooley, that further consideration would be given to how new audit appointment tender evaluation can address contextual matters relating to audit service providers' conduct in the audit market.

Action: Associate Director AQA

- Noted advice from the Associate Director, in response to a query from Pauline Weetman, that her assessment of audit quality would cover matters beyond timescale and completion of audit work.

Following discussion, the Committee noted the report, including:

- The results of audit delivery for 2019/20 audits.
- The updated position on AQA actions arising from previous Commission consideration of AQA business.

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 11.40am.

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.

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)

Item No Subject

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
5.	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.

FINANCIAL AUDIT AND ASSURANCE COMMITTEE

MEETING: 24 FEBRUARY 2022

REPORT BY: SECRETARY TO THE COMMISSION

MINUTES OF PREVIOUS MEETING

Introduction

1. This paper provides updated information on the previous minute of the Committee.

Updated information

2. At its meeting on 9 December 2021, the Commission approved the attached minute as a correct record (Appendix 1 is the committee meeting minute; Appendix 2 is the joint meeting minute).
3. The Commission also agreed theb Committee's recommendations thus:
 - To upgrade the risk rating in relation to Commission support arrangements to amber ('controls in place require close monitoring') (item 6 of the minute).
 - That this matter be considered for inclusion in the forthcoming contingency planning exercise (item 6).
 - To include self-evaluation activity as part of the next Commission Strategy Seminar (item 6).

Conclusion

4. The Committee is asked to note:
 - The attached minute.
 - Any other updates provided at today's meeting.

Paul Reilly
Secretary to the Commission
16 February 2022

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE
COMMITTEE OF 25 NOVEMBER 2021**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held via online meeting on Thursday 25 November 2021 at 9.15am.

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

OTHER COMMISSION

MEMBERS IN ATTENDANCE: Christine Lester

IN ATTENDANCE: Paul Reilly, Secretary to the Account Commission
Antony Clark, Interim Controller of Audit
Elaine Boyd, Associate Director, Audit Quality and
Appointments (AQA) (items 8 and 9)
John Cornett, Audit Director, Audit Services (item 4)
Blyth Deans, Audit Manager, PABV (item 7)
John Gilchrist, Manager, AQA (items 8 and 9)
Leigh Johnston, Audit Manager, PABV (item 7)
Fiona Kordiak, Director of Audit Services
Anne MacDonald, Senior Audit Manager, Audit Services
(item 4)
Mark Roberts, Audit Director, PABV (item 7)
Rebecca Seidel, Senior Manager, PABV (item 7)
Owen Smith, Senior Manager, AQA (items 8 and 9)

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 26 August 2021
4. Current audit issues in councils
5. Intelligence report
6. Risk assessment and implications for the work programme
7. Public sector reform and innovation
8. Audit quality interim report
9. Audit quality framework update 2021
7. Any other business

1. Apologies for absence

It was noted that no apologies were received.

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 25 August 2021

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

Arising therefrom, the Committee agreed:

- To note advice from Geraldine Wooley that she had submitted her apologies for absence from the meeting.
- To note advice from the Interim Controller of Audit that:
 - In relation to paragraph 4 (first bullet point), that the external auditor had concluded investigations into matters relating to the departure of the former Director of Governance from Glasgow City Council, and had reported that no further audit work is required.
 - In relation to paragraph 4 (second bullet point), that the external auditor had concluded investigations into matters relating to press reports about payments from Strathclyde Pension Fund to a deceased person, and had reported that no further audit work is required.
 - Other matters in relation to paragraph 4 (third, fourth, seventh, eighth, ninth and tenth bullet points) were covered in the report in item 4.
- In relation to paragraph 5 (second bullet point), to note that the action is to be allocated to the Associate Director, Audit Quality and Appointments.

Action: Associate Director, Audit Quality and Appointments

- In response to a query from Pauline Weetman, that future current issues reports (i.e., item 4) include clear cross-referencing to previous committee meeting minutes where appropriate, for ease of reference.

Action: Controller of Audit

- To note advice from the Secretary, in response to a query from Tim McKay on paragraph 5 (third bullet point), that the Commission's welcoming of the revisions in ISA (UK) 240 would be reflected in future reporting of related audit work as appropriate.

4. Current audit issues in councils

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

During discussion, the Committee:

- Noted the highlighting by the Interim Controller of Audit of the point in his report relating to the independent inquiry commissioned by City of Edinburgh Council into (a) matters connected to the death of a council employee and (b) its whistleblowing and organisational culture, that the external auditor continued to

liaise closely with the Council Chief Executive on the conclusions of the inquiry.

- Noted the highlighting by the Interim Controller of Audit of the point in his report relating to matters associated with (a) the lease by Comhairle nan Eilean Siar of Lews Castle and (b) the procurement by Orkney Islands Council of stone from a quarry in Oban, that he intended currently to report on learning points from procurement governance failures in this regard in the Annual Assurance and Risks Report, which will be considered by the Commission in March 2022.
- Agreed further in this regard, following points by Pauline Weetman and Andrew Cowie:
 - To note advice from the Controller of Audit on the rationale used in his decision to include the matter in the Annual Assurance and Risks Report
 - To note meantime the Controller's intentions and to keep the matter under review.
- Agreed further in this regard, in response to a query from Geraldine Wooley, advice from the Controller of Audit that no correspondence from the public on this matter had been received by Audit Scotland to date.
- Noted the highlighting by the Interim Controller of Audit of the point in his report relating to recruitment and salary setting issues in Orkney and Shetland Valuation Joint Board, that the matter is to be reported in the annual audit report of the Joint Board, upon which he would report further at the next meeting of the Committee.
- Noted the highlighting by the Interim Controller of Audit of the point in his report relating to the independent inquiry commissioned by Scottish Borders Council into its handling of school assault allegations, that he will continue to update the Committee on progress in this regard.
- Noted advice from the Interim Controller of Audit, in response to a query from Andrew Cowie, that he would report further as appropriate on issues arising from capacity issues such as that experienced by the corporate finance function in Angus Council.

Action: Interim Controller of Audit

- Noted advice from the Interim Controller of Audit, in response to a query from Andrew Cowie, that the external auditor was closely monitoring matters relating to continuing capacity issues being experienced by Clackmannanshire Council across some service areas.
- Noted advice from the Interim Commission Chair that she was intending raising the matter of council capacity in her forthcoming regular meeting with the Chief Executive of COSLA.
- Noted advice from the Interim Chair on some personnel changes in Scottish local government that she was aware of.

Following discussion, the Committee:

- Noted Pauline Weetman's thanks to Anne MacDonald for her involvement in the drafting of this report in her time as a member of 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 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 response set out in the work programme).

5. Intelligence report

The Committee considered a report by the Secretary providing six-monthly intelligence about councils from: correspondence to Audit Scotland; the Scottish Public Sector Ombudsman; the Standards Commission for Scotland; and the Scottish Information Commissioner.

During discussion, the Committee:

- Noted advice from Pauline Weetman of the value to the Committee of the information in the report from the Audit Scotland correspondence process.
- Noted advice from the Secretary, in response to a query from Tim McKay, that he would provide further information on decisions taken by the Standards Commission in relation to Fife Council.

Action: Secretary

Following discussion, the Committee:

- Noted advice from the Secretary that he would provide in a future report analysis in this regard covering the current elected council term, which comes to an end in May 2022.

Action: Secretary

- Noted the report.
- 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).

6. 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.

During discussion, the Committee:

- Noted advice from the Interim Controller of Audit, in response to a query from Geraldine Wooley in relation to the Commission business risk on failure to deliver a quality audit, of the importance in the relationship between the Commission's own business risks and those contained in Audit Scotland's risk register.
- Noted, following a point by the Interim Chair, that the Commission has in place a member development process, rather than an appraisal process.
- Noted advice from the Committee Chair that he would give further thought to how the Committee could increase its effectiveness of monitoring business and audit risk.

- Agreed, following a point by Andrew Cowie, to recommend to the Commission to upgrade the risk rating in relation to Commission support arrangements to amber ('controls in place require close monitoring').
- Agreed further in this regard to recommend to the Commission that this matter be considered for inclusion in the forthcoming contingency planning exercise.

Action: Secretary

- Agreed, following a point by Andrew Cowie, to recommend to the Commission to include self-evaluation activity as part of the next Commission Strategy Seminar.

Action: Secretary

Following discussion, the Committee:

- Agreed the assessment of the controls in place in relation to business risk, subject to revisions agreed in discussion.

Action: Secretary

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

7. Public sector reform and innovation

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

8. Audit quality interim report

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

9. Audit quality framework update 2021

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

10. Any other business

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

11. Close of meeting

The meeting finished at 11.00am.

**MINUTES OF JOINT MEETING OF COMMISSION COMMITTEES
OF 25 NOVEMBER 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 25 November 2021 at 11.05am.

PRESENT: Tim McKay (in the chair)
Andrew Burns
Andy Cowie
Sophie Flemig
Sheila Gunn
Christine Lester
Stephen Moore
Elma Murray
Sharon O'Connor
Geraldine Wooley

IN ATTENDANCE: Antony Clark, Interim Controller of Audit and Director of Performance Audit and Best Value (PABV)
Fiona Kordiak, Director of Audit Services
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (items 2 and 3)
Blyth Deans, Audit Manager, PABV (item 1)
John Gilchrist, Manager, AQA (items 2 and 3)
Leigh Johnston, Audit Manager, PABV (item 1)
Mark Roberts, Audit Director, PABV (item 1)
Rebecca Seidel, Senior Manager, PABV (item 1)
Owen Smith, Senior Manager, AQA (items 2 and 3)

<u>Item No</u>	<u>Subject</u>
1.	Public sector reform and innovation
2.	Audit quality interim report
3.	Audit quality framework update 2021

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

1. Public sector reform and innovation

The committees considered a report by the Interim Director of PABV as a basis for a discussion about the progress and extent of public sector reform and innovation and the role that audit might play in promoting these.

During discussion:

- The committees noted areas of further work and thinking by the Commission to develop the role of audit in:
 - promoting greater cross cross-organisational working and collaborative leadership
 - encouraging more innovation and risk-taking and involving more people in reform processes
 - shifting the debate away from structural changes to reform of how public services are delivered.
- The committees noted advice from the Commission Interim Chair on a private roundtable session that she and the Interim Deputy Chair had with council chief executives.

Following discussion, the committees agreed that the points raised in the discussion be reflected in further thinking around, and development of, of the work programme.

Action: Interim Director of PABV

2. Audit quality interim report

The committees considered a report by the Associate Director of Audit Quality and Appointments (AQA) presenting the Audit Quality Interim Report which summarised the results of AQA's work from 1 April 2021 to 30 September 2021 on the quality of audit planning.

During discussion, the committees:

- Noted advice from the Director of Audit Services and the Associate Director, in response to a query from Tim McKay, in relation to some auditors not using the provided planning template and thus not including Best Value related work in their audit plans.
- Noted advice from Sheila Gunn on feedback from representatives of South Ayrshire Council on the audit process from the recent private meeting with the Council on the recently published Best Value Assurance Report on the Council.
- Noted advice from the Director of Audit Services and the Associate Director, in response to a query from Sheila Gunn, on the difficulties in training new auditors during pandemic restrictions.
- Noted advice from the Associate Director, in response to a point made by Geraldine Wooley, that matters around remotely conducted audit work, including stakeholder and auditor feedback, will feature in the *Quality of Public Audit in Scotland* report, the draft of which will be considered by the Commission in May 2022.

Following discussion, the committees agreed to:

- Endorse the conclusion of the Associate Director that her report provides assurance that appointed auditors are preparing high quality audit plans and confirms that there has been considerable improvement in audit plans since the introduction of the Audit Quality Framework in 2017.
- Note other conclusions in the report, namely:
 - The failure of some auditors to comply with the 2021 guidance on planning the audit in respect of including their best value responsibilities in non-council local government body annual audit plans
 - The progress made with and final position on two Risk of Material Misstatements
 - The progress made by Audit Scotland in response to the issues raised in *Quality of Public Audit in Scotland 2021* report
 - The comments and focus of the Financial Reporting Council relating to audit quality in general and specifically on audit documentation.

3. Audit quality framework update

The committees considered a report by the Associate Director of AQA advising of a planned review of the Audit Quality Framework (AQF)

Following discussion, the committees agreed to:

- Endorse the current thinking of AQA on proposed changes to quality reporting for the AQF.
- Note the planned review of AQF during 2022, to align with new audit appointments and 2021 Code of Audit Practice, including further consultation with the Commission and with a view to presenting a draft revised AQF to the Commission in November 2022.

Close of meeting

The joint meeting of the committees closed at 12.20pm.