

Introduction

1. This paper provides updated information on the previous minute of the Financial Audit and Assurance Committee.

Recommendations

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

Updated information

3. At its meeting on 9 March 2023, the Commission approved the attached minute as a correct record.
4. The Commission also noted that there were no specific recommendations made by the Committee.

Minutes

Financial Audit and Assurance
Committee

Thursday 23 February 2023, 9.15am
Online via Microsoft Teams

ACCOUNTS COMMISSION 

Present:

Tim McKay
Andrew Cowie
Geraldine Wooley
William Moyes

Other Commission members in attendance:

Christine Lester
Malcolm Bell
Ruth MacLeod

Apologies:

There were no apologies.

In attendance:

John Boyd, Audit Director, Audit Services Group (ASG) (item 4)
Blyth Deans, Senior Manager, Performance Audit and Best Value
Helena Gray, Controller of Audit
Anne MacDonald, Senior Audit Manager, ASG (item 4)
Martin McLauchlan, Policy Manager
Paul O'Brien, Director of Quality and Support, Innovation and Quality (item 6)

1. Apologies for absence

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

2. Declaration of connections or conflict

No declarations of connection or conflict were made.

3. Minutes of meeting of 24 November 2022

The minutes of the meeting of 24 November 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 3, Tim McKay queried the inclusion of issues relating to accounting for infrastructure assets. Antony Clark advised that this is included within agenda item 6 of this meeting.
- In relation to item 5, it was noted there was an absence of an update on the hearing related to East Dunbartonshire Council. Martin Mclauchlan advised information gathering was ongoing. An update will be provided to the Committee, as available, with revisions to the format of the bi-annual Intelligence Report meaning further information will be provided when that item is tabled at the April FAAC.

Action: Policy Manager

4. Current audit issues in councils

The Committee considered a report by the 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 Tim McKay, that the impact of potential delays to signing off accounts should be reported to the Commission as soon as clarity arises.
- Noted that delays are not specific to individual audit providers (ASG or firms) but are often the result of prior year sign offs being delayed. For those delays raised by newly appointed auditors, a range of discrete issues have been raised.
- Agreed, following discussion, that the scheduled Section 102 on Glasgow City Council should be presented to either the FAAC or Commission, dependent on the timing of the work.
- Noted, the IJB clawback and the distribution of this across individual IJBs was calculated on the basis of returns and information provided by each IJB.

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 5 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 Controller of Audit to report in detail on any other matters arising.

5. Risk assessment and implications for the work programme

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

6. Accounting and auditing developments

The Committee considered a report by the Director of Quality and Support informing members of accounting and auditing developments.

During discussion, the Committee:

- Agreed to note advice from Paul O'Brien that steps were taken to appropriately identify statutory overrides in relation accounting for infrastructure assets to ensure there was no requirement for widescale qualification.

Following discussion, the Committee noted the report.

7. 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 9.55 am.

Minutes



Joint meeting of the Financial Audit and Assurance and Performance Audit Committees

Thursday 23 February 2023, 11.10am

Online via Microsoft Teams

Present:

William Moyes
Andrew Burns
Andrew Cowie
Sheila Gunn
Christine Lester
Tim McKay
Geraldine Wooley

Other Commission members in attendance:

Malcolm Bell
Nichola Brown
Ruth MacLeod

Apologies:

Sophie Flemig

In attendance:

Antony Clark, Executive Director of Performance Audit and Best Value (PABV)
Blyth Deans, Senior Manager, PABV
Helena Gray, Controller of Audit
Martin McLauchlan, Policy Manager
Mark Taylor, Audit Director, PABV

1. Risk assessment and implications for the work programme

The Committees considered a report by the Policy Manager providing an updated assessment on business and audit risk.

During discussion, the Committees:

- Noted and welcomed the increased explanation of the risk assessment.
- Andrew Cowie expressed the view that risk around the wider Commission Support Team should be assessed to take into account wider resourcing issues.
- Christine Lester noted the abeyance of the SSG would suggest a degree of uncertainty in this area that may require the risk assessment to be reassessed.

- Geraldine Wooley raised risks around the progress of the PWF. Noted advice from Blyth Deans, in response, that further information could be provided to members as an interim step.

Action: Blyth Deans

Following discussion, the Committees:

- 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 March meeting but noted the dynamic nature of the programme and the opportunity to influence the programme at the annual Strategy Seminar.

2. 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 11.25 am.

Introduction

1. This paper provides updated information on the previous minute of the Financial Audit and Assurance Committee.

Recommendations

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

Updated information

3. At its meeting on 11 May 2023, the Commission approved the attached minute as a correct record.
4. Noted that the Controller of Audit had provided an update by correspondence in relation to Item 4 in the Financial Audit and Assurance Committee (FAAC) minutes.

Minutes

Financial Audit and Assurance
Committee
Thursday 27 April 2023, 9.15am
Online via Microsoft Teams



Present:

Tim McKay
Andrew Cowie
Geraldine Wooley
William Moyes

Other Commission members in attendance:

Christine Lester
Malcolm Bell
Jennifer Henderson
Ruth MacLeod

Apologies:

There were no apologies.

In attendance:

John Boyd, Audit Director, Audit Services Group (ASG) (item 4)
John Cornett, Executive Director of Audit Services
Blyth Deans, Interim Secretary
Helena Gray, Controller of Audit
Anne MacDonald, Senior Audit Manager, ASG (item 4)

1. Apologies for absence

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

2. Declaration of connections or conflict

Geraldine Wooley declared a connection relating to item 4 as a member of the Local Taxation Chamber.

Andrew Cowie declared a connection relating to item 4 as a council taxpayer in Highland Council.

Helena Gray declared a connection relating to item 4 as a homeowner in Highland Council which required her to recuse herself from part of the discussion.

3. Minutes of meeting of 23 February 2023

The minutes of the meeting of 23 February 2023 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein.

Arising therefrom, the Committee:

In relation to paragraph 3, the bi-annual intelligence report will go to the next full Commission meeting.

Action: Interim Secretary

4. Current audit issues in councils

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

During discussion, the Committee:

- Noted that the Controller of Audit would bring an update on the annual audit delivery to the next Commission meeting.

Action: Controller of Audit

- Noted that the Annual Audit Reports will provide the Commission with an overview of the financial sustainability challenges facing Local Authorities, including how Councils may be using Council tax, reserves and efficiency savings to manage the challenges. The Annual Assurance and Risk Report as well as the Local Government Financial Bulletin will be an opportunity to consider this issue in more detail.

Action: Controller of Audit

- Requested further information on Finance Circular 10/2022 including a worked example.

Action: Controller of Audit/ Executive Director of Audit Services

Following discussion, the Committee:

- Took assurance that the auditor's responses detailed in the report recognise the scope of the risk identified and reflects the impact on planned audit work.
- Noted that the Glasgow S102 report will be tabled at the August meeting of the Commission and not June 2023.

Action: Controller of Audit

- Requested advice in the next current issues report on whether developments relating to the Corran Ferry present a material financial risk to the Council.

Action: Senior Audit Manager

5. Risk assessment and implications for the work programme

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

6. 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 10.10 am.

Minutes



Joint meeting of the Financial Audit and Assurance and Performance Audit Committees

Thursday 27 April 2023, 10.15am

Online via Microsoft Teams

Present:

William Moyes
Andrew Burns
Andrew Cowie
Sophie Flemig
Sheila Gunn
Christine Lester
Tim McKay
Geraldine Wooley

Other Commission members in attendance:

Malcolm Bell
Jennifer Henderson
Ruth MacLeod

Apologies:

There were no apologies.

In attendance:

Antony Clark, Executive Director of Performance Audit and Best Value (PABV)
John Cornett, Executive Director of Audit Services
Blyth Deans, Interim Secretary
Helena Gray, Controller of Audit

7. Risk assessment and implications for the work programme

The Committees considered a report by the Interim Secretary providing an updated assessment on business and audit risk.

During discussion, the Committees:

- Agreed that there is no action required to inform the next refresh of the work programme at the Commission's June meeting.
- Noted that risk 2c relating to the Strategic Scrutiny Group would most likely now move to green following the meeting of the SSG this week and agreement to the revised terms of reference for the operational group.

- Noted the transition to a new method of distributing papers through Decision Time might increase the level of risk 3a- Business Process Planning and Support.
- Noted the movement in risk 1c relating to engagement with stakeholders and noted upcoming opportunities to continue that positive engagement.
- Noted a potential Business risk should the Commission not undertake further work around IJBs and the National Care Service and committed to consider this issue as part of wider discussions on the Accounts Commission Work Programme.

8. 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.

Introduction

1. This paper provides updated information on the previous minute of the Financial Audit and Assurance Committee.

Recommendations

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

Updated information

3. At its meeting on 13 September 2023, the Commission approved the attached minute as a correct record.
4. Noted that the Controller of Audit had provided an update by correspondence in relation to Item 4 in the Financial Audit and Assurance Committee (FAAC) minutes.

Minutes

Financial Audit and Assurance
Committee
Thursday 24 August 2023, 9.15am
Online via Microsoft Teams



Present:

Tim McKay
Geraldine Wooley
Nichola Brown
Ronnie Hinds
Christine Lester

Apologies:

Andrew Cowie

In attendance:

Helena Gray, Controller of Audit
Douglas Black, Interim Secretary
John Boyd, Audit Director, Audit Services Group (ASG) (item 4)
Anne MacDonald, Senior Audit Manager, ASG (item 4)
Paul O'Brien, Director of Quality and Support, Innovation and Quality (item 5)
Antony Clark, Executive Director of Performance Audit and Best Value (item 6)

1. Apologies for absence

It was noted that apologies for Andrew Cowie had been received.

2. Declaration of connections or conflict

Helena Gray declared a connection relating to item 4 as a homeowner in Highland Council.

3. Minutes of meeting of 27 April 2023

The minutes of the meeting of 27 April 2023 were noted, the Commission having previously approved them as a correct record and agreed the recommendations therein.

Arising therefrom, the:

- Chair thanked colleagues for the further information provided on the Finance Circular.
- Noted that all other actions were complete or would form part of the November FAAC update.

4. Current audit issues in councils

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

During discussion, the Committee:

- Asked to be kept informed by auditors of the RAAC issues (reinforced autoclaved aerated concrete) and highlighted the need for long term ongoing inspection by local authorities to ensure they are identifying relevant properties, inspecting them, and addressing their RAAC issues where appropriate. (Geraldine Wooley)

Action: Controller of Audit

- Asked for the Cost of Living (Tenant Protection) Act 2022 to be considered as a topic for inclusion in next local government overview report (Tim McKay)

Action: Executive Director of Performance Audit and Best Value

- Noted borrowing costs are having an impact on councils' capital projects. Is there any scope for future work in this area or inclusion in financial bulletin (Tim McKay)?

Action: Executive Director of Performance Audit and Best Value and Controller of Audit

- Regarding Paragraph 3 of the report relating to the Aberdeenshire IJB – suggested Moray IJB should have its own heading (Christine Lester)

Action: Controller of Audit

- With regards to voting by audit committee members, as mentioned in paragraph 18, consideration should be given to not commenting on this in the future (Tim McKay).

Action: Controller of Audit

- Asked whether ongoing monitoring of equal pay claims in Dundee City Council will be extended to all councils that are addressing equal pay claims (Tim McKay).

Action: Controller of Audit

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.

5. Accounting and auditing developments

The Committee considered a report by the Director of Quality and Support informing members of accounting and auditing developments. This report is prepared six-monthly.

During discussion, the Committee:

- Queried if we will be responding to the call for evidence by the Financial Reporting Council on the new sustainability standards for the UK. The Director of Quality and Support assured the Committee that the team will look at any areas we can reasonably contribute to, and a suitable response would be drafted if this transpires.
- Ronnie Hinds referred to the Audit Quality inspection report; asked what the scope of the quality assessments entailed; and whether this information was taken into account by

Audit Scotland when appointing firms. Antony Clark advised that this is considered by the Audit Quality and Appointments Team, who routinely monitor this information and use it to inform their thinking around the procurement process.

- In response to a comment from Tim McKay with regards to the situation in England and addressing backlogs, Paul O'Brien advised the Committee that Kenny Oliver, the Executive Director for Quality and Improvement, would be leading a discussion at the Audit Scotland Executive Team on potential risks in Scotland and any action to be taken.

Following discussion, the Committee noted the report.

6. Risk assessment and implications for the work programme

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

7. 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 09:45 am.

Minutes

Financial Audit and Assurance
Committee

Thursday 23 November 2023, 9.15am

Online via Microsoft Teams

Present:

Ronnie Hinds (Interim Chair)
Andrew Cowie
Carol Evans
Ruth MacLeod
Mike Neilson
Derek Yule

Apologies:

Nichola Brown

In attendance:

Allan Campbell, Secretary to the Accounts Commission
Helena Gray, Controller of Audit
John Boyd, Audit Director, Audit Services Group (ASG) (item 4)
Rachel Browne, Audit Director, ASG (item 4)
Anne MacDonald, Senior Audit Manager, ASG (item 4)
Rebecca Smallwood, Correspondence Manager, PABV (item 5)
Fiona Caffyn, Correspondence Officer, PABV (item 5)
Jack Nixon, Executive Assistant to the Accounts Commission (Minutes)
Carol Evans, Accounts Commission member
Angela Leitch, Accounts Commission member
Christine Lester, Accounts Commission member
Ruth MacLeod, Accounts Commission member
Antony Clark, Executive Director of Performance Audit and Best Value (PABV)
Joe Chapman, Policy Manager to the Accounts Commission

1. Apologies for absence

It was noted Nichola Brown had sent apologies.

2. Declaration of connections or conflict

No connections or conflicts were raised.

3. Minutes of meeting of 24 August 2023

The minutes of the meeting of 24 August 2023 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 Controller of Audit providing a summary of emerging issues and recurring themes across local authorities in Scotland.

During discussion, the Committee discussed the following:

- Helena Gray advised the Committee the report provided the requested updates on Reinforced Autoclaved Aerated Concrete (RAAC) and pay.
- Helena Gray discussed appendix 4, specifically requesting feedback around the usefulness of the data. It was agreed the data was useful and that the Appendix should be retained, but consideration given to which data sets should be included. Committee members also expressed that they would like the report to make clear what are the main issues that they should be concerned about.
- Helena Gray and Rachel Browne briefed the Committee on the recent cyber-attack at Comhairle nan Eilean Siar. Members were advised that the council is being transparent with the community and its partners, prioritising maintaining the delivery of core services, and receiving the appropriate assistance from national cyber teams.
- Anne McDonald discussed the judicial review on Aberdeen City Council on the closure of libraries and swimming pools highlighting the community's view that they weren't adequately consulted, as the closures were more widespread than had been planned.
- In response to a query about North Lanarkshire Council, John Boyd highlighted the scale of the budget gap is significant across local authorities, stating there is a reliance on appointed auditors reporting their 'budget gap' as a current issue. Ronnie Hinds expressed the view that councils only have a 'budget gap' as part of a budget-setting process, as their budgets ultimately have to be balanced, therefore it is difficult to compare between councils that may be at different stages of that process.
- The Committee discussed the use of pension fund savings, expressing the view that they should be used to set a council on the path of financial sustainability and to support transformation rather than delaying necessary and difficult decisions to reform.
- In response to a query from Michael Neilson, Antony Clark confirmed the Financial Bulletin will be explicit in analysing each council and highlighting that while councils in Scotland are not in financial crisis, they are at risk. Committee members also highlighted the differences between the challenges faced by different councils, for example with some council areas seeing significant population growth. The implications of this on council tax and council funding mechanisms were also discussed.

Following discussion:

- The Committee noted the recent decision to freeze council tax and the subsequent questions around recompense funding. It was agreed the Commission should have an appetite for this discussion.

- The Committee noted the report.

5. Intelligence report

The Committee considered a paper by the Secretary to the Commission on the Intelligence report.

During discussion, the Committee thanked Audit Scotland colleagues for the report. It was agreed the report could be reframed and used to highlight issues that could potentially feed into the work programme. Additionally, it welcomed the reassurance that the data didn't raise any specific risks. The correspondence team in Audit Scotland also provided an update on plans to improve the analysis and reporting of the data.

The Committee agreed it would like to still receive future editions of the report, but agreed it's structure and content could be revised. For example, it may be helpful to include:

- more comparative data to place the numbers of enquiries and complaints in perspective
- commentary on what is behind the numbers and any trends (such as why particular councils have particularly high volumes)
- a summary of the key issues arising from what's in the report, and how the Commission might make best use of the intelligence.

Action – Secretary to Accounts Commission

Following discussion, the Committee noted the report.

6. 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 10:20 am.

Minutes

Joint meeting of the Financial Audit and Assurance and Performance Audit Committees
Thursday 24 November 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.

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.