



**Financial Audit and Assurance  
Committee minutes**

**2019**

**FINANCIAL AUDIT AND ASSURANCE COMMITTEE**

**MEETING: 25 APRIL 2019**

**REPORT BY: SECRETARY TO THE COMMISSION**

**MINUTE OF PREVIOUS MEETING**

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**Introduction**

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

**Updated information**

2. At its meeting on 7 March 2019, the Commission approved the attached minute as a correct record.

**Conclusion**

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

**Paul Reilly**  
**Secretary to the Commission**  
**25 April 2019**

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**MEETING: 25 APRIL 2019**

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF 21 FEBRUARY 2019**

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Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of 102 West Port, Edinburgh on Thursday 21 February 2019, at 10.00am.

PRESENT: Pauline Weetman (Chair)  
 Sheila Gunn  
 Ronnie Hinds  
 Tim McKay  
 Sharon O'Connor  
 Graham Sharp  
 Geraldine Wooley

COMMISSION MEMBERS

ALSO PRESENT: Christine Lester

IN ATTENDANCE:

Paul Reilly, Secretary to the Commission  
 Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV) (Item 4)  
 Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 7)  
 John Cornett, Audit Director, Audit Services (Item 4)  
 Fiona Kordiak, Director of Audit Services (Items 9 and 10)  
 Anne MacDonald, Senior Audit Manager, Audit Services (Item 4)  
 Paul O'Brien, Senior Manager, Professional Support (Item 8)  
 Owen Smith, Senior Manager, AQA (Item 7)

Item No    Subject

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 22 November 2018
4. Current issues in councils
5. Intelligence from Ombudsman (six monthly review)
6. Risk management
7. Audit quality activity 2018/19: update
8. Loan fund repayments
9. Review of regulator/audit market study update
10. CIPFA financial management code
11. Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Andrew Burns.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 4, as a council tax payer in South Lanarkshire, in relation to references to South Lanarkshire Council, and in item 5, as Vice-Chair of the Wheatley Group, in relation to references to Glasgow City Building.
- Ronnie Hinds, in item 4, as a former Chief Executive of Fife Council, in relation to references to equal pay matters.
- Geraldine Wooley, in item 4, as a member of the Fife Valuation Appeal Committee, in relation to references to council tax and non-domestic rates.

3. Minutes of meeting of 22 November 2018

The minutes of the meeting of 22 November 2018 were noted, having previously been approved as a correct record by the Commission.

Arising therefrom:

- In relation to item 4 (current issues in councils), advice from the Controller of Audit was noted that:
  - In relation to the second bullet point, that he had referred to the new chief officer structure in North Ayrshire Council in his Annual Assurance and Risks Report considered by the Commission at its January meeting.
  - In relation to the fifth bullet point, that he had reported in the 'current issues in councils' report on the recent written ruling by the General Teaching Council for Scotland on the conduct of a former executive director of learning and leisure services of North Lanarkshire Council in relation to the false reporting of teacher numbers for 2014.
- In relation to item 5, final bullet point (Committee engagement with auditors), advice from the Secretary was noted that he was discussing with the Committee Chair how to take forward engagement with auditors, to be further discussed at its next meeting.

*Action: Secretary*

4. Current audit issues in councils

The Committee considered a report by the Controller of Audit on emerging issues and recurring themes, as well as individual issues of interest, in Scottish councils.

During discussion, the Committee noted advice from the Controller of Audit that:

- He would consider clarifying some of the wording in the 'local auditor response' column in the report.
- In response to a query from Sharon O'Connor, that risks around staff recruitment and capacity in councils continue to be a key area of monitoring for auditors.

- In response to a query from Ronnie Hinds, that matters around turnover of senior staff in integration joint boards would be part of a paper on health and social care to be considered by Commission members at their strategy seminar.
- In response to a query from Pauline Weetman, that he would clarify auditing arrangements around Shetland Leasing and Property Developments Ltd.
- In response to a query from Tim McKay, that he would provide further information on the South Lanarkshire Council transitional beds model pilot.
- In response to a query from Ronnie Hinds, that he would continue to monitor various matters around the Glasgow City Council equal pay settlement.

*Actions: Director of PABV*

Following discussion, the Committee:

- Noted the report.
- Agreed that the format of the report, including the additional appendices, was helpful for the Committee to develop its approach to monitoring risk, to be discussed later in the meeting.

#### 5 Intelligence from Ombudsman (six monthly report)

The Committee considered a paper by the Secretary providing intelligence about councils from various sources including: correspondence to Audit Scotland, the Scottish Public Sector Ombudsman, the Commissioner for Ethical Standards in Public Life in Scotland, the Standards Commission for Scotland and the Scottish Information Commission.

Following discussion, the Committee:

- Agreed to continue its interest in the trend of a decreasing number of outcome decisions in relation to councils reached by the Commissioner for Ethical Standards in Public Life in Scotland.
- Noted the report.
- Agreed that the format of the report was helpful for the Committee to develop its approach to monitoring risk, to be discussed later in the meeting.

#### 6. Risk management

The Committee considered a report by the Secretary proposing an approach to monitoring business and audit risk on behalf of the Commission.

During discussion, the Committee:

- Agreed that a higher level of reporting of business risk as proposed in the report be developed, incorporating a report to each quarterly meeting of the Committee, subject to grouping business risks in categories for analysis.
- Agreed that risk appetite be a core feature of the Commission's consideration of business risk, which will form part of discussion at the Commission's forthcoming Strategy Seminar.
- Agreed to note a the depth, rigour and continuous updating of methods used by Audit Scotland in its development and application of audit risk monitoring.

- Noted that the Performance Audit Committee would also be considering this matter.

*Action: Secretary*

7. Audit quality activity 2018/19: Update

The Committee considered a report by the Associate Director, Audit Quality and Appointments (AQA), which summarised developments in relation to the work of the AQA team.

Following discussion, the Committee noted the report.

8. Loans fund repayments

The Committee considered a report by the Director of Audit Services advising of a significant risk identified by Audit Scotland in relation to councils' repayment of their loans fund advances.

During discussion, the Committee noted advice from the Director that she would update the Committee as appropriate on ongoing dialogue between Audit Scotland and councils, including any matters associated with reputational risk to audit or the Commission.

*Action: Director of Audit Services*

Following discussion, the Committee noted the report.

9. Review of regulator/audit market study update

The Committee considered a report by the Director of Audit Services providing an update on recent developments in the commercial audit sector that are of relevance to public audit in Scotland.

During discussion, the Committee agreed that future papers be reported to the Committee as appropriate on:

- Implications of the Competition and Markets Authority Review of the provision of statutory audit in the UK commercial sector on the Commission's audit procurement strategy.

*Action: Associate Director, AQA and Secretary*

- Implications of the review of the Financial Reporting Council carried out by Sir John Kingman on behalf of the Department for Business, Energy, and Industrial Strategy on the Commission's audit quality framework.

*Action: Associate Director, AQA*

- Implications of these developments on United Kingdom legislation and any effect on Scottish public audit.

*Action: Director of Audit Services*

Following discussion, the Committee noted the report.

10. CIPFA Financial management code

The Committee considered a report by the Director of Audit Services providing a briefing on the proposals by the Chartered Institute of Public Finance and Accountancy (CIPFA) to publish a Financial Management Code for local government and the associated development of a financial resilience index.

During discussion, the Committee agreed to respond to the planned consultation on the Financial Management Code, a further paper on which will be considered at a future meeting.

*Action: Director of Audit Services*

Following discussion, the Committee noted the report

11. Any other business

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