

**FINANCIAL AUDIT AND ASSURANCE COMMITTEE****MEETING: 26 MAY 2022****REPORT BY: SECRETARY TO THE COMMISSION****MINUTES 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 10 March 2022, the Commission approved the attached minute as a correct record.
3. The Commission also agreed the Committee's recommendations thus:
  - That the Commission's approach to its self-evaluation be considered as part of the Strategy Seminar (paragraph 3 of the minute).
  - That the Commission respond to the emergency consultation by the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board (CIPFA/LASAAC) on proposals by the Department for Levelling Up, Housing and Communities (DLUHC) on accounting requirements in the light of continuing delays in competing local audits in England (paragraph 6).
  - That the Commission response reflect that:
    - It does not agree with the proposal from CIPFA/LASAAC that accounts preparers should have the option to pause professional revaluation of property, plant and equipment.
    - It does not agree with the CIPFA/LASAAC proposal that preparers should have the option to pause revaluation and adopt an indexation approach.
    - It does not support further deferral of implementation of International Financial Reporting Standard 16 on lease accounting, as proposed by CIPFA/LASAAC.
  - That the Commission encourage appointed auditors to liaise with their audited body to draw attention to the emergency consultation.

**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**  
**13 May 2022**

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

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

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

OTHER COMMISSION  
MEMBERS IN ATTENDANCE: Christine Lester

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

**Item No   Subject**

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

1. Apologies for absence

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

2. Declarations of interest

The following declaration of interest was made:

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

3. Minutes of meeting of 25 November 2021

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

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

Arising therefrom, the Committee:

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

*Action: Secretary*

4. Current issues from the local authority audits

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

During discussion, the Committee:

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

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

*Action: Interim Director of PABV*

Following discussion, the Committee:

- Noted the report, taking assurance that the auditors' responses detailed in the report recognises the scope of the risk identified and reflects the impact on planned audit work.
- Agreed in particular not to recommend to the Commission to direct the Interim Controller of Audit on any matters arising.
- Noted that it would consider under item 7 matters and issues arising from this paper which affect either the business risks of the Commission or audit risk (and thus the planned audit response set out in the work programme).

#### 5. Accounting and auditing developments

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

Following discussion, the Committee:

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

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

- Noted that it would consider under item 7 matters and issues arising from this report which affect either the business risks of the Commission or audit risk (and thus the planned audit response set out in the work programme).

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

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

Following discussion, the Committee:

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

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

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

*Action: Secretary*

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

*Action: Secretary*

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

*Action: Secretary*

Following discussion, the Committee noted the report.

## 7. Risk assessment and implications for the work programme

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

Following discussion, the Committee:

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

*Actions: Secretary*

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

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

*Action: Secretary*

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

*Action: Interim Director of PABV*

#### 8. Any other business

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

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

#### Close of meeting

The meeting finished at 10.50am.