

**Performance Audit  
Committee minutes**

**2019**

**PERFORMANCE AUDIT 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**

**MEETING: 25 APRIL 2019**

**MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 21 FEBRUARY 2019**

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Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of 102 West Port, Edinburgh on Thursday 21 February 2019, at 14.00.

PRESENT: Ronnie Hinds (Chair)  
Alan Campbell  
Andy Cowie  
Christine Lester  
Stephen Moore  
Graham Sharp

COMMISSION MEMBERS  
ALSO PRESENT: Sheila Gunn (Item 5)  
Pauline Weetman

IN ATTENDANCE: Paul Reilly, Secretary to the Commission  
Fraser McKinlay, Director of Performance Audit and Best Value (PABV)  
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 9)  
Carol Calder, Senior Manager, PABV (Item 8)  
Antony Clark, Audit Director, PABV (Item 4)  
Graeme Greenhill, Senior Manager, PABV (Items 5 and 6)  
Leigh Johnston, Senior Manager, PABV (Item 8)  
Martin McLauchlan, Audit Manager, PABV (Item 5)  
Jillian Matthew, Senior Manager, PABV (Item 8)  
Owen Smith, Senior Manager, AQA (Item 9)  
Claire Sweeney, Audit Director, PABV (Item 8)  
Sally Thompson, Audit Manager, PABV (Item 6)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 22 November 2018
4.	Work programme update
5.	Performance audit: emerging messages- Revenue financing of assets
6.	Performance audit: scope – Scotland’s city region and growth deals
7.	Risk management
8.	Policy briefing: Health, care and communities
9.	Audit quality activity 2018/19: update
10.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Sophie Flemig.

2. Declarations of interest

The following declaration of interest was made:

- Ronnie Hinds, in items 5 and 6, as a non-executive director of the Scottish Government.

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.

4. Work programme update

The Committee considered a report by the Director of PABV on progress with the range of performance audit work carried out on behalf of the Accounts Commission and Auditor General.

During discussion, the Committee

- Noted an update from the Audit Director, PABV on publication and launch arrangement for the work programme.
- Agreed, in response to a query from Stephen Moore, that further consideration be given by the Committee to how criminal justice matters feature in the work programme, as part of the forthcoming policy briefing from the Justice, Education and Lifelong Learning policy cluster.

*Action: Director of PABV*

Following discussion, the Committee noted the report.

5. Performance audit: emerging messages – Revenue financing of assets

The Committee considered a report by the Director of PABV proposing the emerging messages for the performance audit, in conjunction with the Auditor General, *Revenue financing of assets: the Non-profit Distributing (NPD) and Hub models*.

Following discussion, the Committee agreed:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the report team in conjunction with the report sponsors, Andy Cowie and Sheila Gunn.
- That a draft audit report be brought to the Commission meeting in May 2019, prior to publication in August 2019.
- The proposed publication and promotion strategy be considered at its meeting in May 2019.

*Action: Director of PABV*

6. Performance audit: scope – Scotland's city region and growth deals

The Committee considered a report by the Director of PABV proposing the approach to the performance audit, in conjunction with the Auditor General, on Scotland's city region and growth deals.

Following discussion, the Committee approved the approach proposed in the report, including the proposed audit scope leaflet for publishing, subject to the audit team addressing, in conjunction with the audit sponsors, Andrew Burns and Pauline Weetman, the matters raised in discussion.

*Action: Director of PABV*

7. 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:

- Noted advice from the Secretary on the consideration of this matter by the Financial Audit and Assurance Committee.
- Agreed that the reporting of business risk as proposed in the report be developed, incorporating a report to each quarterly meeting of the Committee, subject to:
  - including an appropriate level of risk assessment and analysis in the reporting.
  - ensuring an appropriate definition of reputational risk.

*Action: Secretary*

8. Policy briefing: Health, care and communities

The Committee considered a report by the Director of PABV introducing the briefing for the health, care and communities cluster.

During discussion, the Committee agreed:

- To note advice from the Director on how the carer voice is reflected in policy cluster work.
- To note the Committee's interest in income deprivation.
- To note the Committee's interest in developing the audit approach to public sector leadership.
- To note that Commission members were welcome to attend meetings of Audit Scotland's Islands Forum.
- To include matters around community resilience in future briefings.
- That future briefings make stronger reference to Audit Scotland's public sector risk management framework.
- That the Director confirm the timescale for a paper for the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee to support their scrutiny of improving outcomes.

*Actions: Director of PABV*

Following discussion, the Committee noted the report.

9. Audit quality activity 2018/19: update

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

Following discussion, the Committee noted the report.

10. Any other business

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

**PERFORMANCE AUDIT COMMITTEE**

**MEETING: 20 JUNE 2019**

**REPORT BY: SECRETARY TO THE COMMISSION**

**MINUTES OF PREVIOUS MEETING**

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**Introduction**

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

**Updated information**

2. At its meeting on 9 May 2019, the Commission approved the attached minutes of the meeting of the Performance Audit Committee of 25 April 2019 as a correct record, subject to noting advice from the Secretary that the response to the consultation by the Chartered Institute of Public Finance Accountants had been made available to members on their extranet site.

**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**  
**11 June 2019**





**MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 25 APRIL 2019**

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Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of 102 West Port, Edinburgh on Thursday 25 April 2019, at 14.00.

PRESENT: Ronnie Hinds (Chair)  
Andrew Cowie  
Christine Lester  
Stephen Moore  
Sophie Flemig  
Graham Sharp

COMMISSION MEMBERS

ALSO PRESENT: Andrew Burns  
Pauline Weetman  
Geraldine Wooley (Item 7)

IN ATTENDANCE: Paul Reilly, Secretary to the Commission  
Fraser McKinlay, Director of Performance Audit and Best Value (PABV)  
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 8)  
Antony Clark, Audit Director, PABV (Items 4, 5 and 7)  
John Gilchrist, Manager, AQA (Item 8)  
Graeme Greenhill, Senior Manager, PABV (Item 6)  
Tricia Meldrum, Senior Manager, PABV (Item 5 and 7)  
Mark Roberts, Senior Manager, PABV (Item 5)  
Owen Smith, Senior Manager, AQA (Item 8)  
Rebecca Smallwood, Senior Auditor, PABV (Item 7)  
Sally Thompson, Audit Manager, PABV (Item 6)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 21 February 2019
4.	Work programme update
5.	Policy briefing: Justice, education and lifelong learning
6.	Performance audit: emerging messages – Scotland's city region and growth deals
7.	Scoping paper: Early Learning and Childcare
8.	Audit quality report – Q3/4
9.	Any other business

1. Apologies for absence

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

2. Declarations of interest

The following declaration of interest was made:

- Ronnie Hinds, in item 6, as a non-executive director of the Scottish Government.

3. Minutes of meeting of 21 February 2019

The minutes of the meeting of 21 February 2019 were noted, having previously been approved as a correct record by the Commission.

Arising therefrom, advice from the Secretary was noted that:

- In relation to item 4, a discussion on how criminal justice matters feature in the work programme would take place as part of item 5 on the agenda.
- In relation to item 6, he had agreed with the Commission Chair and the chairs of the two Commission committees that the next report of risk matters to committees would be at the September meetings of the committees, in order to reflect discussions in this regard at the Commission's recent strategy seminar.

4. Work programme update

The Committee considered a report by the Director of PABV on progress with the range of performance audit work carried out on behalf of the Accounts Commission and Auditor General.

During discussion, the Committee:

- Noted advice from the Director, in response to a query from Andrew Cowie, on the resource implications of promotional and engagement activities around published reports, on which the Commission has maintained an interest.
- Noted advice from the Secretary that he was discussing with the Director the format of the proposed programme development output on community empowerment.
- Noted the revised scheduling of the performance audit on revenue financing of assets, to be considered by the Commission at its June meeting.
- Noted ongoing engagement work with stakeholders on the work programme which had been published on 26 March.

Following discussion, the Committee noted the report.

5. Policy briefing: Justice, education and lifelong learning

The Committee considered a report by the Director of PABV introducing a briefing for the justice, education and lifelong learning policy cluster.

During discussion, the Committee:

- Noted advice from the Director that he is currently considering how to feature criminal justice issues in proposed audit work, including the planned

performance audits in relation to community justice and digital policy and practice, upon which he would report further to the Committee.

*Action: Director of PABV*

- Agreed further in this regard that the Director share with the Committee any briefing material produced for the Auditor General.

*Action: Director of PABV*

- Agreed that a future lunchtime speaker session be devoted to involvement of young people in audit.

*Action: Secretary*

- Agreed that further thought be given to the risk of deteriorating citizen trust in public policy and citizen disengagement, both in terms of audit risk and business risk to the Commission.

*Action: Secretary and Director of PABV*

- Noted advice from the Director, in response to a query from Andrew Cowie, that he would raise matters around risks relating to information technology projects in public agencies with the team taking forward the performance audit for the Auditor General on enabling digital government.

- Noted advice from the Director, in response to a query from Andrew Cowie, on engagement by the Scottish Police Service in community planning across the country.

- Noted advice from the Director, in response to a query from Ronnie Hinds, that he would provide further information on the responsibilities of the Auditor General in relation to non-incorporated colleges.

*Action: Director of PABV*

Following discussion, the Committee noted the briefing.

#### 6. Performance audit: emerging messages – Scotland's city region and growth deals

The Committee considered a report by the Director of PABV proposing the emerging messages for the performance audit, jointly with the Auditor General, on Scotland's city region and growth deals.

Following discussion, the Committee:

- agreed the emerging messages, subject to the audit team addressing in conjunction with the audit sponsors, Andrew Burns and Pauline Weetman, the matters raised in discussion.
- agreed to consider a draft report at its meeting in September 2019.

*Actions: Director of PABV and Secretary*

#### 7. Performance audit: scope - Early learning and childcare (part 2)

The Committee considered a report by the Director of PABV proposing the approach to the performance audit, in conjunction with the Auditor General, on early learning and childcare (part 2).

Following discussion, the Committee approved the approach proposed in the report, including the proposed audit scope leaflet for publishing, subject to the audit team addressing, in conjunction with the audit sponsors, Sophie Flemig and Geraldine Wooley, the matters raised in discussion.

## 8. Audit quality report Q3/4

The Committee considered a report by the Associate Director, Audit Quality and Appointments, presenting work carried out to monitor the quality of audit performed by all audit providers between October 2018 and March 2019.

During discussion, the Committee:

- Agreed to note advice from the Associate Director that the Commission's committees had endorsed in November 2018 the proposed approach to quality standards for performance audit and Best Value auditing work.
- Agreed to defer consideration of future quality reporting arrangements to a future meeting, pending further discussion between the Associate Director, AQA and the Secretary.
- Agreed to note advice from the Chair of Financial Audit and Assurance Committee on its consideration of the paper at its earlier meeting, including noting that the Commission's committees would have a prominent role in a proposed review of the audit quality framework, as proposed by the Associate Director, in late 2019.
- Agreed that the Associate Director provide more detailed stakeholder feedback results to the Commission as part of its consideration of the annual audit quality report at its next meeting.
- Noted advice from the Associate Director, in response to a query from Sophie Flemig, that she would be discussing further with audit providers the implications of, and response to, auditor feedback.

*Action: Associate Director, AQA*

- Noted advice from the Secretary, in response to a query from Andrew Cowie, that the use by AQA of the notes of meetings between the Commission and individual councils - which follow publication of Best Value Assurance Reports and findings – would be advised appropriately to councils as part of these meetings.

*Action: Secretary*

- Noted advice from the Associate Director, in response to a query from Stephen Moore, on errors identified in prior period adjustments in accounts.
- Noted the positive assessment in the report of how auditors demonstrated how they added value in their audit work.

Following discussion, the Committee:

- Endorsed the report, including its main conclusion that the Commission can get assurance about the good quality of audit work which requires limited improvements, with specific areas required to improve compliance with international accounting standards, particularly around documentation, sampling method and sizes and the use of analytical procedures.
- Noted that AQA will communicate findings with auditors and request action plans for areas of improvement identified.
- Noted that the Commission will consider at its May meeting the draft annual audit quality report, on which it can form a view on its assurance of audit quality, to be reported in the Commission annual report, which will also be considered at the same meeting.

*Actions: Secretary and Associate Director, AQA*

9. Any other business

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