

**Financial Audit and Assurance
Committee minutes**

2017

FINANCIAL AUDIT AND ASSURANCE COMMITTEE

MEETING: 27 APRIL 2017

REPORT BY: SECRETARY TO THE COMMISSION

MINUTE OF PREVIOUS MEETING

Introduction

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

Updated information

2. The Accounts Commission, at its meeting of 9 March 2017, approved the attached minutes of the Committee of 23 February 2017 subject to, including Ronnie Hinds as being amongst those present at the meeting.
3. With reference to item 4, the Commission noted that the Committee, on advice from the Controller of Audit that he expects assessment of the robustness of option appraisal to feature in annual audit work, agreed to recommend to the Commission that such a matter continue to be considered for future performance audit or related work. The Commission accepted the recommendation.

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
19 April 2017

MEETING: 9 MARCH 2017

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF
23 FEBRUARY 2017**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 23 February 2017, at 10am.

PRESENT: Graham Sharp (Chair)
 Tim McKay
 Pauline Weetman
 Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Controller of Audit and Director of Performance Audit
 and Best Value (PABV)
 Anne Cairns, Manager (Benefits), Audit Strategy [Item 7]
 Antony Clark, Assistant Director, PABV [Item 6]
 Gemma Diamond, Senior Manager, PABV [Item 8]
 Russell Frith, Assistant Auditor General [Item 7]
 Fiona Kordiak, Director of Audit Services [Item 4]
 Anne MacDonald, Senior Audit Manager, Audit Services [Item 4]
 Mark McCabe, Senior Manager, PABV [Item 6]
 Dave McConnell, Assistant Director, Audit Services [Item 4]
 Catherine Young, Audit Manager, PABV [Item 6]

1. Apologies for absence
2. Declarations of interest
3. Draft minutes of meeting of 24 November 2016
4. Current Issues from the local authority audits
5. Intelligence from Ombudsman (six monthly report)
6. Performance audit: emerging messages – Equal Pay
7. Review of Housing Benefit Subsidy certification issues 2015/16
8. Briefing: digital audit
9. Any other business

1. Apologies

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

2. Declarations of interest

Ronnie Hinds declared an interest in item 6 as a former Chief Executive of Fife Council, and played no part in the consideration of the said item.

3. Minutes of meeting of 24 November 2016

The minutes of the meeting of 24 November 2016 were noted and approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 3 (last bullet point), noted advice from the Secretary that:
 - The Chair had written to pension fund trustees and conveners of pension fund committees sharing the messages from the unaudited pension fund accounts and the local government financial overview, and the copies of the correspondence were available on the members' extranet portal.
 - Further in this regard, Audit Scotland would be meeting the National Pensions Advisory Board in coming weeks to discuss the matters further.
- In relation to item 4 (fourth bullet point), to note advice from the Director of Audit Services that the Controller of Audit continues to monitor the matters associated with the restructuring of City Building (Glasgow) LLP) with a view to reporting further to the Commission.
- In relation to item 5 (first bullet point), noted advice from the Secretary that the Best Value Working Group would be considering how self-evaluation features in Best Value auditing guidance and how to encourage fruitful dialogue between audit teams and elected members.
- Further in this regard, noted advice from the Director of PABV that the Best Value Working Group would continue to consider how to ensure effective assessment of leadership through the approach to auditing Best Value, and would report to the Commission as appropriate.

Action: Director of PABV

- In relation to item 5 (third bullet point), noted advice from the Chair that he would still welcome views from Committee members on how to feature more prominently in the Committee's business the practical experience of auditors.

4. Current issues from the local authority audits

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

During discussion, the Committee agreed:

- To note advice from the Assistant Auditor General that he would continue to monitor the situation with council house rent arrears arising from the

introduction of Universal Credit, with a view to reporting further to the Committee as appropriate.

- To note advice from the Controller of Audit, arising from a query from Pauline Weetman, that he expects assessment of the robustness of option appraisal to feature in annual audit work in line with the risk-based approach inherent in the new approach to auditing Best Value.
- Further in this regard, to recommend to the Commission that such a matter continue to be considered for future performance audit or related work.

Action: Secretary

- To note advice from the Controller of Audit that he continues to monitor due diligence matters around the procurement exercise in relation to the operation and management of the existing and replacement Aberdeen Exhibition and Conference Centre.
- To note advice from the Controller of Audit that he was studying the independent report into school closures in City of Edinburgh, which was published on 9 February, with a view to updating the Commission in due course.
- Further in this regard, to defer any view about the appropriateness of a statutory report from the Controller.
- Further in this regard, to note the potential link between matters raised in the report and the proposed performance audit on innovative financing.
- That the Controller of Audit provide more information on the implications of the court action taken by East Ayrshire Council in relation to the Skares open cast mine site.
- That the Controller of Audit consider the Best Value implications of recent press coverage of integration boards' decisions being taken in private.

Actions: Controller of Audit

Thereafter, the Committee noted the report.

5. Intelligence from Ombudsman (six monthly report)

The Committee considered a report by the Secretary to the Commission providing an update of intelligence emerging from the work of the Scottish Public Sector Ombudsman, Commissioner for Ethical Standards in Public Life in Scotland, Standards Commission for Scotland and Scottish Information Commissioner.

Following discussion, the Committee noted the report.

6. Performance audit: emerging messages – Equal Pay

The Committee considered a report by the Director of PABV advising of the emerging messages from the performance audit on equal pay.

Following discussion, the Committee agreed to:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the audit team in conjunction with the audit sponsors.
- Note how protracted communication with councils around data gathering early in the audit process has necessitated a delay in the publication of the report as had been reported to the Commission at its meeting in August 2016.
- Further in this regard, that a draft report be taken to the meeting of the Commission in June, with a view to publishing the report in July or August 2017.

7. Review of Housing Benefit Subsidy certification issues 2015/16

The Committee considered a report by the Assistant Auditor General advising of the outcomes from a recent review of the 2015/16 auditors' Housing Benefit (HB) subsidy certification letters.

Following discussion, the Committee agreed:

- To endorse the paper.
- To note advice from the Assistant Auditor General that matters raised in the review would be further considered in the annual report to the Commission on benefits administration audit work.

8. Briefing: digital audit

The Committee considered a presentation by Gemma Diamond, Senior Manager, PABV on digital audit and digital developments in local government in Scotland.

Following the presentation, the Committee:

- Agreed that the Director consider the following as part of the project:
 - Effect on council employment.
- Endorsed the objectives, priorities and next steps of the project.
- Agreed that further updates be provided, with Commission input to the project provided, as required.

Actions: Director of PABV

The Chair thanked Gemma Diamond for her presentation.

9. Any other business

There being no further business, the meeting was closed.