

Appointment of auditor

Committee Audit and Standards

Date of meeting 9 September 2022

Date of report 15 August 2022

Report by Director of Finance and Corporate Support

1. Object of report

To advise the committee on the appointment of auditor for both Strathclyde Partnership for Transport and the Strathclyde Concessionary Travel Scheme Joint Committee for the financial years 2022/23 to 2026/27.

2. Background

2.1. Audit appointments are made by the Accounts Commission (for local government) and the Auditor General for Scotland (for central government, health and further education bodies). Audits are undertaken by Audit Scotland's Audit Services Group or by Audit Scotland appointed private firms.

Note: Strathclyde Partnership for Transport and the Strathclyde Concessionary Travel Scheme Joint Committee are in the local government sector for audit appointments.

2.2. The Accounts Commission has five principal responsibilities:

- Securing the external audit of local government bodies' accounts and the audit of Best Value and community planning;
- Considering reports made by the Controller of Audit; making recommendations to Scottish ministers and to local government bodies; and advising Scottish ministers on matters relating to the accounting of local government;
- Carrying out or promoting national performance audit work to improve economy, efficiency and effectiveness, improving financial or other management and in relation to Best Value;
- Issuing a Statutory Direction to local government bodies which sets out certain performance information that they are required to publish;
- Coordinating the scrutiny of local government in Scotland.

2.3. The Accounts Commission has the power to make findings and reports, to make recommendations to Scottish ministers and local government bodies, and to hold public hearings. In specific circumstances involving illegal expenditure or financial loss, the Accounts Commission may impose sanctions including censure, suspension or disqualification of councillors from office. To complement the audit appointments, Audit Scotland published a report titled '*Code of audit practice 2021*'.

2.4. The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. It replaces the Code issued in June 2016

and comes into effect for audits of financial years starting on or after 1 April 2022. The Code applies to the audit of over 200 public bodies which spend public money, including the Scottish Government, central government bodies, the NHS in Scotland, local government bodies and further education colleges.

- 2.5. Public audit in Scotland is founded on the statutory responsibilities of the Auditor General for Scotland and the Accounts Commission for Scotland, and the auditors they appoint. They work closely in the public interest to create strong and effective public audit which supports accountability and provides independent assurance that public money is spent and reported properly.
- 2.6. The Code sits at the centre of the arrangements for public audit in Scotland. The Code reflects the legal requirements for audit. It also reflects the professional and ethical standards with which auditors must comply. It covers the audit of accounts, which has a wider scope than the private sector, performance auditing and Best Value auditing. The Code also sets out the arrangements which promote auditor independence and the arrangements for monitoring audit quality.
- 2.7. The Code applies to all audit work undertaken on behalf of, or as a result of being appointed by, the Auditor General and the Accounts Commission. It is a condition of their audit appointment that auditors comply with the Code and follow guidance that supplements the Code. Guidance is used to help inform auditors' judgements and promote a consistent approach to changing public service priorities and risks.

The full report can be found at:

<https://www.audit-scotland.gov.uk/report/code-of-audit-practice-2021>

3. Outline of proposals

3.1 Responsibilities of audited bodies

Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective governance of their activities. Audited bodies are responsible for maintaining:

- strong corporate governance arrangements;
- a financial position that is soundly based;
- preparing accounts for audit, comprising financial statements and related reports;
- sound systems of internal control;
- standards of conduct for prevention and detection of fraud and other irregularities; and
- internal audit.

Those officers with a senior management role in an audited body and those charged with governance who have oversight of management make a vital contribution to sound stewardship of public resources and, as required, to secure Best Value.

3.2 Responsibilities of appointed auditors

Auditors appointed by the Auditor General and the Accounts Commission undertake the audit of accounts including the wider-scope responsibilities and, where appropriate, Best Value. Once appointed, auditors act independently in carrying out

their responsibilities and in exercising professional judgement. The appointed auditor reports to the audited body and others on the results of audit work.

Appointed auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code and guidance from Audit Scotland.

Weaknesses or risks, including fraud and other irregularities, identified by auditors are only those which come to their attention during their normal audit work in accordance with the Code and may not be all that exist.

Auditors produce the following outputs annually for each audit appointment:

- annual audit plan;
- independent auditor's report;
- annual audit report.

3.3 Audit appointment

Audit Scotland conducted an audit tender exercise on behalf of the Accounts Commission for Scotland. Following completion of the tender and consultation, Audit Scotland has been appointed as the auditor of Strathclyde Partnership for Transport and the Strathclyde Concessionary Travel Scheme Joint Committee for the financial years 2022/23 to 2026/27.

In constructing the provisional allocation of audits, the following criteria were applied:

- Conflicts of interest – auditors were not appointed where they have a conflict of interest, for example through being internal auditors of the body;
- Grouping audits – auditors were appointed to align health boards and at least one of the councils in the health board area, and councils with associated Integrated Joint Boards and Joint Boards/Committees;
- Rotation of auditors – auditors were rotated to minimise reappointing a firm to the same audit;
- Equal portfolio sizes – audit firms were allocated equal sized portfolios to provide certainty of the level of work by bidding firms;
- Balanced portfolios – auditors were allocated at least two principal bodies and a mixture of differently sized bodies.

4. Committee action

The committee is asked to note the appointment of Audit Scotland as auditor for the financial years 2022/23 to 2026/27 by the Accounts Commission for Scotland and the updated code of audit practice 2021.

5. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>In accordance with the Local Government (Scotland) Act 1973 (as amended).</i>

Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>None.</i>
Climate Change, Adaptation and Carbon consequences	<i>None.</i>

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