
Audit and Assurance Committee

Date of Meeting	Tuesday 17 January 2023
Paper Title	Committee's Review of Effectiveness of External Auditor
Agenda Item	20
Paper Number	AAC2-P
Responsible Officer	Board Secretary
Status	Disclosable
Action	For Decision

1. Executive Summary

- 1.1** To provide the Committee with a format for the annual review of the performance of the External Auditors, with reference to requirements set out in the Scottish Public Finance Manual Audit Committee Handbook.

2. Recommendations

2.1 The Committee is invited to:

- a)** **consider** the External Auditor's performance during 2022 against the key requirements of the role;
- b)** **agree** any feedback or recommendations as appropriate.

3. Background

3.1 The Scottish Public Finance Manual Audit Committee Handbook states that Audit Committees should assess the performance of the organisation's External Auditors, who are appointed in GCRB's case by Audit Scotland.

3.2 The following is a summary of the role of Internal Audit to which the Committee may wish to refer in discussing performance during the past year and agreeing any feedback or recommendations.

4. Review of External Audit

4.1. The responsibilities of the External Auditor are derived from statute, the Audit Code of Practice, International Standards on Auditing (UK and Ireland), professional requirements and best practice. The outline under 4.3 below is an extract of principles (in bold) and relevant requirements of the role as set out in the Audit Code of Practice that may be helpful to the Committee in undertaking its assessment.

4.2. In considering the performance of External Audit, the Committee should also take into account the effectiveness of working relationships with the following.

- Audit and Assurance Committee/Chair
- GCRB Executive
- Internal Auditor.

4.3. The Auditor should:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries, remuneration reports, grant claims and whole of government returns;
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited body's:
 - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets
 - suitability and effectiveness of corporate governance arrangements
 - financial position and arrangements for securing financial sustainability

Independent

When undertaking audit work all auditors should be, and should be seen to be, independent. This means auditors should be objective, impartial and fully compliant with the Financial Reporting Council's (FRC) ethical standards and any relevant professional or statutory guidance.

Proportionate and Risk Based

Audit work should be proportionate and risk based. Auditors need to exercise professional scepticism and demonstrate that they understand the environment in which public policy and services operate. Work undertaken should be tailored to the circumstances of the audit and the audit risks identified. Audit findings and judgements made must be supported by appropriate levels of evidence and explanations. Auditors will draw on public bodies' self-assessment and self-evaluation evidence when assessing and identifying audit risk.

Quality-Focused

Auditors should ensure that audits are conducted in a manner that will demonstrate that the relevant ethical and professional standards are complied with and that there are appropriate quality-control arrangements in place as required by statute and professional standards.

Co-ordinated and Integrated

It is important that auditors coordinate their work with internal audit, Audit Scotland, other external auditors and relevant scrutiny bodies to recognise the increasing integration of service delivery and partnership working within the public sector.

Public Focused

The use of public money means that public audit must be planned and undertaken from a wider perspective than in the private sector and include aspects of public stewardship and best value. It will also recognise that public bodies may operate and deliver services through partnerships, arm's-length external organisations (ALEOs) or other forms of joint working with other public, private or third sector bodies.

Transparent

Auditors, when planning and reporting their work, should be clear about what, why and how they audit. To support transparency the main audit outputs should be of relevance to the public and focus on the significant issues arising from the audit.

Adds Value

It is important that auditors recognise the implications of their audit work, including their wider scope responsibilities, and that they clearly demonstrate that they add value or have an impact in the work that they do. This means that public audit should provide clear judgements and conclusions on how well the audited body has discharged its responsibilities and how well they have demonstrated the effectiveness of their arrangements. Auditors should make appropriate and proportionate recommendations for improvement where significant risks are identified.

5. Risk & Compliance Analysis

- 5.1. There are no new risks associated with this report, however, the report contributes to the mitigation of risk 013, *There is a breach of legislation/guidance/code of practice and this results in a failure of governance.*

6. Financial & Resource Implications

6.1. There are no specific resource considerations arising from this paper

7. Equalities Implications

7.1. There are no equalities implications arising from this report.

8. Learner Implications

8.1. There are no strategic implications arising from this report.