

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 12 March 2020.

Present:

Councillor Stewart Miller (Chair)
Councillor Barbara Grant (Vice Chair)

Provost Jim Fletcher
Councillor Annette Ireland

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Michelle Blair, Chief Auditor; Gill Darbyshire, Chief Executive's Business Manager; Linda Hutchison, Clerk to the Committee; Charlie Leleux, Scrutiny and Evaluation Officer; and Jennifer Graham, Committee Services Officer.

Also Attending:

Pauline Gillen and Morven Fraser, Audit Scotland.

Apology:

Councillor Jim Swift.

DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

CHAIR'S REPORT

Councillor Miller referred to concerns he had expressed in 2018 at this committee and the Council on the extent to which external consultants were being used by the authority, confirming that the committee had agreed then that it would be useful to look at this further. In the first instance, as agreed, the Clerk had submitted a report on work undertaken by the committee during the term of the previous Administration on such expenditure during 2013/14 and 2014/15 which was noted, as was the fact that the Council had agreed under its Contract Standing Orders to reduce the threshold for allowing Directors to appoint consultants from £50k to £10k and to approve related logging arrangements.

Having heard Councillor Miller remind the committee that it had been agreed to review the log at the end of the 2019/20 financial year, the committee noted that the Clerk had requested information on this for submission to a future meeting.

REVIEW OF STRATEGIC RISK REGISTER AND RISK MANAGEMENT PROCESS

Under reference to the Minute of the meeting of 26 September 2019 (Page 969, Item 1046 refers), when the position on the Strategic Risk Register (SRR) and progress with risk management across the Council had been noted, the committee considered a report by the Chief Executive regarding the most recent biannual update of the register and general progress on risk management.

The SRR, a copy of which was appended to the report, itemised key risks that required to be considered and associated actions put in place to manage these. Having referred to related operational risk registers in place, the report confirmed that several strategic risks had been amended to include additional control measures and rescored for significance, clarifying that a thorough review of all the strategic risks had been undertaken by the Corporate Management Team (CMT). In total there were now 31 strategic risks, 14 of which were evaluated as high and 17 as medium. Risks evaluated as low had been removed from the SRR and would be monitored within departmental or operational registers as appropriate. Relevant significant risks which could impact on achieving the Council's outcomes regarding the work of the Integration Joint Board (IJB) and Culture and Leisure Trust had been considered.

In addition to referring to risks added to the SRR, information was provided on risk scores that remained high; risks that had been added to the register; risks that had increased from medium to high; and those that retained the same score but where the risk descriptions had been amended to reflect the current position or provide further clarity. It was confirmed that although reports on the SRR were submitted to the committee every 6 months and the Cabinet annually, the register was considered to be a live document and updated continually, with the review of the SRR playing a fundamental role in ensuring that the Council met its objectives as detailed in Fairer East Ren, the Modern Ambitious Programme and the Outcome Delivery Plan. A risk owner for each strategic risk had been identified from amongst the CMT.

The Business Manager highlighted key aspects of the report and, in response to Councillor Grant, confirmed that the current total number of high risks on the SRR was similar to that in 2019. Regarding the risk added on the emergence of a pandemic disease, Councillor Miller referred to the fluidity of the situation regarding Covid-19.

The committee noted the development of the SRR; that it was considered to be a live document; and that it would be updated and amended by the CMT.

EAST RENFREWSHIRE COUNCIL – ANNUAL AUDIT PLAN 2019/20

The committee considered a report by the External Auditor regarding the 2019/20 Annual Audit Plan. The Plan provided an overview of the planned scope and timing of the audit to be carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice and other relevant guidance. It was confirmed that the Plan set out the work necessary to allow the External Auditor to provide an independent report on the annual accounts and meet the wider scope requirements of public sector audit, including the audit of Best Value. Reference was also made to the way in which the wider scope of public audit contributed to assessments and conclusions on the audit dimensions of financial management; financial sustainability; governance and transparency; and value for money, and also the way added value was achieved for the Council through external audit work.

Based on discussions with staff, attendance at committee meetings and a review of supporting information, the report highlighted the main financial statement risks and issues as well as risks of a wider dimensional nature identified for the Council, and audit work planned in relation to these. Various reports to be prepared, including the Annual Audit Report, were referred to as were the audit of trusts registered as Scottish charities, the audit fee, and the responsibilities of the committee, the Head of Accountancy and the appointed Auditor. Having summarised the approach to be adopted on the Annual Accounts, it was clarified that an opinion on them would be given on a range of issues, including whether they gave a true and fair view and were properly prepared in accordance with International Financial Reporting Standards and legislative requirements.

Further issues commented on included other information in the Annual Accounts to be reviewed and reported on; materiality values; and the annual assessment of the Internal Audit function to ensure it operated in accordance with the main requirements of Public Sector Internal Audit Standards (PSIAS). Having referred to the reliance it was proposed to place on Internal Audit's work and related issues, detailed reference was made to the four audit dimensions framing the wider scope of public sector audit requirements, conclusions on which would help contribute to an overall assessment and assurance on Best Value.

Whilst making further comments on Best Value, the report highlighted that work planned during the year included focusing on the Council's arrangements for demonstrating Best Value in Partnership Working and Empowering Communities in line with the external auditor's agreed Best Value Plan. Other planned work included considering the Council's arrangements for carrying out aspects of options appraisals, focussing on service redesign through the Council's Modern Ambitious Programme and Transformation Programme and also in major capital works; and the ongoing impact of workforce planning arrangements within the authority. More generally, issues on independence and objectivity; and quality control were commented on.

Councillor Miller welcomed Ms Gillen and Ms Fraser to the meeting, following which Ms Gillen made some general comments on the audit approach that had and would be adopted. Thereafter she referred to various key aspects of the report. Whilst itemising and commenting on the key audit risks identified which required specific audit testing and on which an update would be provided in the Annual Audit Report, she clarified that a number were not specific to East Renfrewshire. She also commented on the audit timetable, the audit fee, and the review of Internal Audit.

Whilst commenting on the new payroll system which was listed under financial statements risks, the Head of Accountancy advised that the position on the introduction of the new payroll system, which had been expected to go live in March 2020, continued to change. She added that although this was disappointing, its introduction was close but had been delayed allowing further testing of the system to take place. In the interim, the current

system would be used to deliver the payroll function in March. The Head of Accountancy added that resilience planning to deal with Covid-19 was ongoing, that its impact could be significant, and that it was possible that some audit related timetables may require to be changed as a result.

The Committee noted the 2019/20 Annual Audit Plan and timetable for the publication of related documents, including the Annual Audit Report for 2019/20.

INTERNAL STRATEGIC AUDIT PLAN 2020/21 – 2024/25

The committee considered a report by the Chief Auditor on the Internal Audit Strategic Plan for 2020/21 to 2024/25 which included the proposed Annual Audit Plan for 2020/21. It was clarified that the Internal Audit function operated in accordance with Public Sector Internal Audit Standards (PSIAS)

The report explained that the plan had been prepared following consultation with key partners, referred to risk related issues, and clarified, amongst other things, that new audits added to the audit universe included new council houses. Similarly, some audits had been deleted from the universe as they were no longer applicable, had low risk assessments, or had been merged with other audits. It was clarified that 20 audit days had been included in the plan for providing an internal audit service to the East Renfrewshire Culture and Leisure Trust (ERCLT), the scope of audits to be carried out using these days having been agreed with the management of ERCLT and members of its Finance, Audit and Risk Committee. Resulting audit reports would be issued directly to the Trust's Chief Executive.

Referring to audit needs compared to resources available, the report explained that over the 5-year period of the plan there was a projected shortfall of 91 audit days which was considered manageable but would be kept under review. The current staffing levels of the Internal Audit section were considered adequate at present, subject to a vacant post being filled and an ongoing secondment terminating during the year, both having been assumed when calculating the number of audit days available. Whilst making reference to one of the performance indicators for the section measuring direct audit days as a percentage of the total days available the target for which was 75%, the report explained that there was a possibility that this would not be fully met. This would be kept under review and reported on quarterly to the committee.

Whilst highlighting key aspects of the report, the Chief Auditor clarified that as well as the report specifying the plan for 2020/21, a schedule reflecting which audits were to be undertaken up to and including 2024/25 had been provided. She clarified that the estimated number of audit days available did not take account of any impact which Covid-19 could have on the implementation of the plan, in respect of which she undertook to keep the committee informed. The Chief Auditor confirmed that, as for every year, the degree to which contingency time would be used could vary.

The committee agreed to approve the Internal Audit Strategic Plan for 2020/21 to 2024/25.

NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL OVERVIEW 2018/19

The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Local Government in Scotland – Financial Overview 2018/19* which under the committee's specialisation arrangements had been sent to Provost Fletcher and Councillor Ireland for review. The Head of Accountancy had been asked to provide comments and a copy of her feedback was attached to the report.

It was explained that the Audit Scotland report covered councils' income; their financial position; the financial outlook for local authorities; and an IJB overview, on each of which the Head of Accountancy had provided comments. The audit report had found that although revenue funding from the Scottish Government, the largest element of local authority income, had increased by 1.1% in 2018/19, this equated to a reduction of 0.7% in real terms. It was clarified further that since 2013/14 there had been a grant reduction of 7.3% in real terms, whilst funding for other areas had fallen by only 0.4%, with a growing proportion of local government funding committed to national policy initiatives. The report explained how Grant-Aided Expenditure (GAE) was calculated, based on population, deprivation, crime and rurality factors. Although East Renfrewshire had previously benefited from GAE being distributed in terms of ongoing local population growth, there had been an increased focus in recent years on deprivation, crime and rurality as a result of which East Renfrewshire could no longer assume that its share of the national grant would increase in this way as before.

Whilst commenting on the financial position, the report made reference to the use made of reserves, such as how £1.5m and £4.312m of these had been used to help bridge the budget gap in 2018/19 and 2019/20 respectively, in addition to which a further £1.5m had been committed for the same purpose in 2020/21. This would leave the unallocated general reserve level at 2.6% as at March 2021, which was still within the acceptable 2-4% level. The Council continued to spend more capital on housing, economic development and education, and monitoring of capital projects was being increased with new reporting mechanisms being introduced. Major capital investment plans would result in increased levels of capital debt and the Council would manage annual loans fund costs to ensure that the revenue repayments remained affordable. Whilst commenting on the financial position further, the report explained that staffing structures would continue to be reviewed for both operational and financial reasons. Reference was also made to retirement issues and it was highlighted how the Council had been cited by Audit Scotland as demonstrating exemplary practice in terms of its management commentary setting out the Council's strategic priorities, key risks and financial and operational performance.

Regarding the financial outlook, it was reported that although funding for councils had risen by 2.9% in 2019/20 in cash terms and 0.9% in real terms, this was insufficient to cover inflation increases, growing population demand and the range of new duties the Government expected councils to undertake. It was expected that councils would continue to be faced with significant savings gaps in the coming years. The 3-year budgeting approach adopted by the Council, the publication of its Financial Plan and Capital Investment Strategy, and the way in which the Council balanced its budget were amongst a range of matters commented on. Reference was also made to the possibility that both Brexit and the coronavirus could have a significant budget impact on all councils which was being monitored closely by the Corporate Management Team and Corporate Resilience Management Team.

The Audit Scotland report also included an overview on Integration Joint Boards (IJBs) for 2018/19. It was confirmed amongst other things that responsibility for the operation, finances and governance of integrated health and care services lay with the IJB rather than the Council, that unlike some others the East Renfrewshire IJB had not reported a deficit for 2018/19, and that no additional funding had been required from the Council. Other matters commented on included that the IJB had recently agreed its medium-term financial plan for 2019/20 to 2023/24.

It was concluded that the Council was well placed in terms of addressing the challenges referred to, but that it would continue to face substantial challenges in future.

The Head of Accountancy commented on and highlighted key aspects of the report, including the pressures the Council continued to face to produce a balanced budget, capital expenditure and related borrowing issues, the financial outlook, service demands, and long-term financial planning.

In response to Councillor Grant who, supported by Provost Fletcher, expressed concern regarding the proportion of funds allocated to local authorities which were ring-fenced by the Scottish Government which they considered unsustainable, especially when more was demanded of councils, Councillor Miller commented that this issue was already under consideration by COSLA. Provost Fletcher, supported by Councillor Grant, argued for giving local authorities more flexibility to determine expenditure priorities locally, and referred to the on-going challenges of austerity and unavoidable need to continue to make cuts. He stressed the importance of local government receiving a good and adequate financial settlement for 2021/22 and beyond, and asked if securing further borrowing for key facilities was achievable.

The Head of Accountancy confirmed that the Council faced huge challenges ahead, including in terms of capital investment, but added that as interest rates were at historically low levels, borrowing could be more affordable. She added that the Council would continue to pursue adequate contributions towards local facilities from developers, and commented on the limited land in the Council's ownership for development. She also referred to ongoing discussions between the Scottish Government and COSLA on local authority funding, including on grant distribution and a possible replacement for the Council Tax. The importance of lobbying for a good outcome was stressed.

The committee noted the report and comments made.

NATIONAL EXTERNAL AUDIT REPORT – SCOTLAND'S CITY REGION AND GROWTH DEALS

The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Scotland's City Region and Growth Deals* which under the committee's specialisation arrangements had been sent to Councillor Miller and Councillor Grant for review. The Director of Environment had been asked to provide comments and a copy of his feedback was attached to the report.

The Audit Scotland report provided an early assessment of city deals in Scotland and included 15 recommendations for councils and the Scottish Government. It was reported that the Leader of East Renfrewshire Council was a member of the inter-authority Glasgow City Region – City Deal Cabinet, and that a comprehensive report on the key messages within the Audit Scotland report had been submitted to that body in February. The report had provided an overview of the key recommendations covering councils; and the current status of the Glasgow City Region City Deal arrangements in relation to those recommendations.

The report highlighted key messages which were positive; areas for improvement; and an overview of the arrangements already in place or those being developed to ensure Audit Scotland's recommendations were being addressed. Positive messages included how the City Deal brought additional long-term funding; increased collaboration; and resulted in job creation. However, areas for improvement included the need to be able to measure long-term success and value for money; and how City Deal projects would contribute to the outcomes in the National Performance Framework. The need for improved transparency and the ability to hold public bodies to account were also amongst issues referred to.

During related discussion Members expressed their frustration regarding delays to major City Deal projects as a result of ongoing discussions with a range of stakeholders including quangos, such as on the proposed new rail halt on an existing line in Barrhead. This would benefit the local community but progress had been much slower than the Council hoped. Other matters referred to included the basis on which projects had been approved thus far,

the importance of transparency and local community involvement, and the hope that work could be progressed on projects more quickly in future.

The committee noted the report and comments made.

INVESTIGATION ON CLIMATE CHANGE

Under reference to the Minute of the meeting of 21 November 2019 (Page 1026, Item 1109 refers), when the proposed scope and timeline of the investigation on climate change, which would be carried out in support of the refreshed Environmental Sustainability Strategy and Action Plan, had been approved, the committee considered a report by the Chief Executive providing a final draft report on the committee's investigation into climate change within East Renfrewshire Council, a copy of which was appended to the report.

The investigation had been carried out using evidence from national organisations and initial discussions with Council departments on their current and planned activities in relation to climate change. Members of the committee had met with officers from various departments and services to discuss issues, and had visited Isobel Mair School to see the children's work there on the environment and recycling. The results of a national survey had also been shared with the committee as part of the review and discussions with trade unions had taken place on the possibility of joint working. The review was wide ranging and considered topical due to ongoing media coverage of climate change.

Further information was provided on the scope of the investigation; methodology; and findings which had led to various recommendations being proposed for submission to the Cabinet. In total, 24 draft recommendations were proposed including on raising awareness levels further on the importance of addressing climate change across the Council and the wider community; to further support agile working; to renew the Council's strategy on climate change, setting out the Council's future priorities with clear actions; and asking the Council to set a date by which it should be carbon neutral, amongst other things.

Councillor Grant referred to ongoing projects on the environment within the area, including the replacement of recently felled conifer trees with 800 deciduous trees near Mearnskirk, and a project by Mearns Community Council to plant saplings in Broomburn Park. The Scrutiny and Evaluation Officer referred to one of the recommendations made on planting a tree for every East Renfrewshire resident.

Thereafter, discussion took place regarding the Council's responsibilities in terms of climate change, and reasons cited by the scientific community for it, some of which conflicted with each other.

The committee agreed:-

- (a) to approve the final draft of its report on its investigation into climate change within East Renfrewshire Council, including the related recommendations made, for submission to the Cabinet; and
- (b) that a progress report on the implementation of the recommendations on climate change accepted by the Cabinet be requested and submitted to the Audit and Scrutiny Committee at a future date.

VALEDICTORY

The Chair reported that this was the final meeting which Provost Fletcher would attend as he had tendered his resignation from the committee; and that this was also the final meeting the Scrutiny and Evaluation Officer would attend as he was leaving the authority at the end of March.

The committee, having noted comments made thanking both for their contribution to its work, noted that a replacement for Provost Fletcher would be sought, the appointment of whom required to be considered by a future meeting of the full Council.

CHAIR