

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of virtual meeting held at 2.00pm on 13 August 2020.

Present:

Councillor Stewart Miller (Chair)	Councillor Charlie Gilbert
Councillor Barbara Grant (Vice Chair)	Councillor Annette Ireland
Councillor Angela Convery	

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Janice Collins, Head of Education Services (Equalities and Equity); Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; Morag Brown, Policy & Improvement Manager; Anthony Jenkins, Brexit Coordinator; Linda Hutchison, Clerk to the Committee; Jennifer Graham, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Pauline Gillen and Morven Fraser, Audit Scotland.

Apology:

Councillor Jim Swift.

DECLARATIONS OF INTEREST

1315. There were no declarations of interest intimated.

CHAIR'S REPORT

1316. The Chair reported, and it was noted, that the committee's report on its Investigation on Climate Change had been considered by the Cabinet earlier that day.

CODE OF CORPORATE GOVERNANCE

1317. Under reference to the Minute of the meeting of 20 June 2019 (Page 860, Item 914 refers), when the Code of Corporate Governance updates and actions for 2019/20 had been approved, the committee considered a report by the Deputy Chief Executive on progress against improvement actions since then, and seeking approval of a revised code for 2020/21.

The report reiterated the Council's responsibilities for the conduct of its business, defined what the Code of Corporate Governance was, and explained that the proposed updates took account of guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). The report referred to key requirements with which the Council had to comply and summarised progress on 2019/20 actions, highlighting that four of the five improvement activities listed in the 2019/20 Code had been completed. It was clarified that development of the new Digital Customer Experience project was being progressed with the target date for completion having changed to March 2021 to take account of new priorities during the COVID-19 crisis.

The updated Code of Corporate Governance for 2020/21, setting out arrangements which fulfilled the seven governance principles outlined in national guidance, was appended to the report. Self-assessment against nationally prescribed criteria had found the Council to be fully compliant across all principles. Any supplementary actions added in relation to the recovery/renewal phases of the COVID-19 crisis would be evaluated in future to check for continued compliance.

Having itemised actions to be taken in 2020/21 to further improve compliance with the Code and commented on the Annual Governance Statement to be published in the 2019/20 Annual Report and Accounts, the report concluded that the Council was governed by sound and effective internal management controls, and continued to demonstrate compliance with the requirements of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. Progress on planned actions for 2019/20 had been posted on the Council's website, as would the 2020/21 Code, subject to it being approved by the committee.

The Policy & Improvement Manager highlighted key issues within the report during which she commented on requirements with which the Council had to comply, the extent of the compliance against nationally prescribed criteria, and the actions to be taken to further improve compliance with the Code in 2020/21. Having heard Councillor Ireland request confirmation of timescales for completion of 2020/21 key actions in relation to the first Annual Fraud Statement and Community Choices participatory budgeting events, the Policy & Improvement Manager undertook to forward this information to the Clerk for circulation to members of the committee.

The committee:-

- (a) noted progress on the 2019/20 Code of Corporate Governance improvement actions;
- (b) approved the Code of Corporate Governance updates and actions for 2020/21; and
- (c) noted that confirmation of timescales for progressing work on the first Annual Fraud Statement, and the plan outlining the next steps for Community Choices participatory budgeting events would be forwarded to the Clerk by the Policy & Improvement Manager for circulation to members of the committee.

ANNUAL TREASURY MANAGEMENT REPORT 2019/20

1318. Under reference to the Minute of the meeting of 20 February 2020 (Page 1109, Item 1206 refers), when it had been agreed to note the Treasury Management Strategy Report for 2019/20 and recommend to the Council that the Strategy for 2020/21 and the policy on the repayment of loans fund advances be approved, the committee considered a report by the

Head of Accountancy (Chief Financial Officer) providing details of the Council's treasury management activities for the year ending 31 March 2020, and seeking approval to recommend to the Council that a list of organisations for the investment of surplus funds be approved.

The report referred to a well-managed treasury function within the Council and related issues, commenting that the authority continued to adopt a prudent approach to treasury management, and that stability in borrowing assisted the Council to respond to current, national economic pressures. The submission of the report to the committee, prior to its submission to the Council, was in line with the CIPFA Code of Practice on Treasury Management.

The committee, having heard the Chief Accountant highlight key issues within the report, agreed to:-

- (a) note the Treasury Management Annual Report for 2019/20; and
- (b) **recommend to the Council** that the organisations specified in the report for investment of surplus funds be approved.

WITHDRAWAL FROM THE EUROPEAN UNION

1319. Under reference to the Minute of the meeting of 15 August 2019 (Page 904, Item 975 refers), when the committee had agreed to carry out a review regarding Brexit and the related financial implications as a medium priority issue, subject to further consideration of the timing of its commencement having regard to the future outcome of United Kingdom (UK) Government's discussions with the European Union (EU), and that in the first instance, following the appointment of the Council's Brexit Coordinator, arrangements be made for the post holder to meet with the committee to allow Members to take evidence and gather information on Brexit issues, the committee considered a joint report by the Directors of Corporate & Community Services and Environment providing an update on the UK's exit from the European Union (EU) and the Council's work in response to this. The report also took into consideration Audit Scotland's report *Preparing for Withdrawal from the European Union* which under the committee's specialisation arrangements had been sent to Councillor Miller and Councillor Grant for review.

The report confirmed that the UK had ceased to be a member of the EU on 31 January 2020, entering a transition period then which would remain in operation until 31 December 2020, during which time the UK was subject to EU laws and protections but could not influence decisions. It was clarified that as the date of 1 July 2020 for agreeing any extension to the transition had passed, no obvious mechanism existed for any extension. To allow sufficient time for ratification of any new agreement proposed regarding the EU and UK's future relationship from 1 January 2021 onwards, the agreement required to be finalised by 31 October, failing which there would be no deal in place. To prepare for Brexit, the Council had a well-established Brexit Working Group comprising representatives from each department and key services.

It was commented that the Audit Scotland report recognised that Brexit impacts would only be realised when the finality of UK and EU negotiations was known, but that it was expected that existing public sector pressures were likely to be exacerbated, including in relation to staffing/service provision; financial pressures; and trade related uncertainties. Public bodies were being encouraged to plan proportionately and review related risks regularly.

It was explained that the Brexit Working Group was regularly reconsidering priorities and focus to ensure considerations were escalated as required ahead of the end of the transition period. Such work included ensuring the Brexit Risk Register was kept updated; using learning from a table top exercise to shape preparedness; considering ways to promote the EU Settlement Scheme; continued monitoring of legislative and trade changes; and dealing with information requests. The report provided further information on each of these issues.

It was commented that, although the regularity of this work had been impacted by the COVID-19 pandemic response, many of the procedures and preparations were well established, having been implemented for previous Brexit deadlines. However, the pressures of a No Deal end to the transition period had been exacerbated due to the global pandemic.

The Brexit Coordinator commented briefly on the report, during which he referred to the fluidity of the situation at present and related Brexit planning, which included planning for worst case scenarios.

Whilst responding to questions in relation to the Working Time Directive and arrangements for contract tendering beyond the transition period, the Brexit Coordinator advised that the UK and Scottish Governments were expected to approve continuity legislation which would allow some of the current legislation to remain in place for a period of time in the first instance pending any future changes to legislation being made. He undertook to seek further clarification on these issues and provide feedback to the Clerk for circulation to members of the committee. In addition, he advised that the Brexit Working Group had agreed to further promote the EU Settlement Scheme within the local community with assistance from the local Citizens' Advice Bureau and local community and religious groups.

The Committee, having considered the way it wished to proceed, agreed:-

- (a) that the Brexit Coordinator provide further feedback on the issues raised during discussion to the Clerk for circulation to members of the committee;
- (b) that a further update be provided to the committee following the deadline of 31 October 2020, this being the deadline by which an agreement required to be reached between the EU and the UK subject to formal ratification; and
- (c) otherwise to note the report and related comments.

LOCAL EXTERNAL AUDIT REPORT – EAST RENFREWSHIRE COUNCIL MANAGEMENT REPORT 2019/20

1320. Ms Gillen reported that she had expected the East Renfrewshire Council Management Report 2019/20 to be available for consideration at this meeting but that, due to the current restrictions linked to COVID-19, this had not been possible as remote auditing was taking longer than it would otherwise. Having referred to the wish to ensure that the Management Report was completed to the highest standard, on a related issue she confirmed that the statutory deadline for concluding issues relating to the audit of the Annual Accounts had been extended to 30 November for all local authorities. She expected to have a clearer idea of the timescale for completing that audit work by the end of September.

The committee noted:-

- (a) that the 2019/20 Management Report would be submitted to the committee by the External Auditor in due course on its completion; and
- (b) otherwise the comments made on progress with the report and related issues.

NATIONAL EXTERNAL AUDIT REPORT – EARLY LEARNING AND CHILDCARE FOLLOW-UP

1321. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Early Learning and Childcare Follow-up* which under the committee's specialisation arrangements had been sent to Councillor McLean and Councillor Swift for review. The Director of Education had provided comments on it and a copy of her feedback was appended to the report.

It was clarified that the Audit Scotland report was in two parts; Part 1 commenting on progress with delivering the expansion to 1140 hours of funded Early Learning and Childcare (ELC); and Part 2 commenting on the planning for the evaluation of the policy. The report had set out key messages for the Scottish Government and local authorities, some of which were relevant to East Renfrewshire's delivery of ELC. The feedback provided on the report considered these messages, and commented on the findings and implications for East Renfrewshire's delivery of the 1140 hours.

Having itemised the 5 key messages in the Audit Scotland report, the report commented on those pertinent to local authorities in general and East Renfrewshire in particular. Further detail was provided on the expansion of ELC to each eligible child aged 2 to 4 from August 2020, related challenges linked to COVID-19, and action taken in respect of this. Issues relating to funded providers, workforce matters, infrastructure, and the evaluation of the expansion of funded ELC were commented on in more detail.

The committee noted the department's progress against the national position of delivering 1140 hours of ELC.

INTERNAL AUDIT PLAN 2020/21 – IMPLEMENTATION PROGRESS APRIL TO JUNE 2020 AND REVISED ANNUAL PLAN

1322. Under reference to the Minute of the meeting of 12 March 2020 (Page 1157, Item 1249 refers), when it had been agreed to approve the Internal Audit Strategic Plan for 2020/21 to 2024/25, the committee considered a report by the Chief Auditor advising of progress on and revisions to the Internal Audit's Annual Plan 2020/21. It was confirmed that, due to recent restrictions, no audit reports in relation to planned 2020/21 audit work had been issued in quarter 1. However, during the quarter satisfactory management responses had been received for three audit reports relating to planned 2019/20 audit work. Reference was also made to the quarterly performance indicators (PIs) for the section, and three new requests for assistance dealt with using contingency time.

Whilst commenting on the report and in response to questions, the Chief Auditor referred to the Red Flag audit and related findings and recommendations, and the assistance her section was providing to other sections to help respond to the COVID-19 emergency. She referred to the Annual Audit Plan 2020/21 approved just prior to lockdown and proposed amendments to it, clarifying that when it had been prepared, the filling of a vacant post on a temporary basis had been proposed. However, this had not proved feasible due to the COVID-19 lockdown, and difficulties associated with carrying out routine audits. She referred to a reassessment made of the number of audit days available in 2020/21, and explained that a number of audits were no longer feasible to conduct for various reasons. The Chief Auditor confirmed that it was now proposed that some audits be deferred or deleted from the Plan, and that the Plan would be reviewed regularly as there continued to be an estimated shortfall of available days.

The committee agreed:-

- (a) not to seek any of the reports issued during the quarter at this stage;
- (b) to approve the revised Internal Audit Strategic Plan 2020/21; and
- (c) otherwise, to note the report and related comments.

PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) INTERNAL SELF-ASSESSMENT

1323. The committee considered a report by the Chief Auditor regarding progress in relation to compliance with the Public Sector Internal Audit Standards (PSIAS).

The report explained that PSIAS came into force in 2013 and included a requirement that the Head of Internal Audit would develop and maintain a quality assurance and improvement programme (QAIP) to allow assessment against the PSIAS. In addition to regular self-assessment, there was a requirement for an external assessment to be carried out at least once every 5 years by an independent assessor. It was further reported that compliance was mandatory for internal auditors in the public sector, with any areas of non-conformance requiring to be reported to the Audit and Scrutiny Committee.

The report commented further on the QAIP, options for external assessment, and the self-assessment most recently carried out in July 2020 and related results. The self-assessment had indicated that the internal audit team were 95% fully compliant with the relevant standards and partially compliant with a further 4%, on the basis of which it had been concluded therefore that it operated in general compliance with the PSIAS. This result remained consistent with the most recent external assessment which had concluded that the internal audit service was fully compliant in 11 out of 13 sections and generally compliant in the remaining 2.

Whilst commenting further on the report, the Chief Auditor confirmed that the QAIP appended to the report included actions from the 2019 and 2020 self-assessments, both of which had been implemented. She added that, as the self-assessment indicated a high level of compliance with PSIAS, scope for further improvement was therefore limited.

The committee, having heard the Chief Auditor confirm that the outcome of the self-assessment did not require to be sent to any external organisations, noted the outcome of the revised self-assessment.

INTERNAL AUDIT ANNUAL REPORT 2019/20

1324. The committee considered a report by the Chief Auditor regarding the annual report on the activities of internal audit during 2019/20, and providing an independent annual opinion on the adequacy and effectiveness of the Council's governance, risk management and internal controls based on work undertaken in 2019/20.

Whilst commenting on implementation of the 2019/20 Plan, the Chief Auditor reported that it had been substantially completed, other than five audits which had been in progress when lockdown had been implemented. Satisfactory responses had been received to all audits completed, except one for which the due date had not yet passed. There was also one 2019/20 report which had still to be issued. Having commented on four internal audit reports in respect of which some recommendations had not been fully accepted and the related

associated risks and reasons provided by management which had been accepted, she summarised the position on various potential fraud and contingency related issues. She also referred to issues that had impacted on PIs, and clarified that the section operated in compliance with PSIAS.

Regarding the annual statement on the adequacy and effectiveness of the Council's governance, risk management and internal controls, she confirmed that, based on the information available and work carried out, her opinion was that reasonable assurance could be placed upon the adequacy and effectiveness of these controls in the year to 31 March 2020. Reference was also made to internal audit performance indicators.

The committee agreed:-

- (a) to approve the statement on the adequacy and effectiveness of the Council's governance, risk management and internal control systems and submit it to the Council; and
- (b) otherwise to note the internal audit annual report 2019/20.

COMMITTEE'S SPECIALISATION ARRANGEMENTS FOR DEALING WITH INTERNAL AND EXTERNAL AUDIT REPORTS AND INSPECTION REPORTS

1325. Under reference to the Minute of the meeting of 20 June 2019 (Page 870, Item 925 refers), when it had been agreed to approve changes to the committee's specialisation arrangements and noted that they would be kept under review as required, the committee considered a report by the Clerk proposing changes to the specialisation arrangements for dealing with internal and external audit reports and inspection reports.

The report explained that following Councillor Convery's appointment to the committee, some changes to the specialisation remits required to be considered. Following discussion with the Chair, it was proposed that Councillor Convery take over the remits previously held by Provost Fletcher. No further changes were considered necessary.

The committee agreed that, in terms of the specialisation arrangements for dealing with inspection reports and external and internal audit reports, Councillor Convery would lead, in partnership with Councillor Ireland and Councillor Gilbert on issues relating to the Chief Executive's Office and Health and Social Care Partnership respectively.

CHAIR

