

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 19 April 2018.

Present:

Councillor Stewart Miller (Chair)
Councillor Barbara Grant (Vice Chair)
Provost Jim Fletcher

Councillor Charlie Gilbert
Councillor Annette Ireland
Councillor Jim Swift

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Iain Maclean, Head of Environment; Michelle Blair, Chief Auditor; and Linda Hutchison, Clerk to the Committee;

Also Attending:

Elaine Barrowman and Morven Fraser, Audit Scotland.

DECLARATIONS OF INTEREST

385. There were no declarations of interest intimated.

CHAIR'S REPORT

386. The following matters were raised during the Chair's report:-

Membership of Committee

Councillor Miller reported that, since the last meeting, Councillor Macdonald had tendered his resignation from the committee. He clarified that it was anticipated that a report on the filling of the vacancy would be considered at the next meeting of the Council.

Committee's Future Work Programme

Having commented that the Clerk had written to members of the committee seeking their suggestions on issues the committee might wish to consider looking at, Councillor Miller asked those who had not yet done so to send her their views by the end of the week. He highlighted that as well as specifying topics, Members had been asked to confirm why they thought it would be useful to look at each issue suggested; what they thought the focus of the work could be; and whether or not they were proposing that the committee pursue in-depth work on any topics.

The committee:-

- (a) noted that a report would be submitted to the next meeting of the Council regarding the filling of the vacancy arising from Councillor Macdonald's resignation; and
- (b) agreed that feedback on potential topics the committee could consider pursuing be sent to the Clerk by 20 April together with the related feedback requested.

EXTERNAL AUDIT REPORT – ANNUAL OVERVIEW OF INTERNAL AUDIT

387. The committee considered a report by the External Auditor regarding the findings of the annual assessment of the adequacy, strengths and weaknesses of the Council's Internal Audit function which included a review of the range and quality of work carried out.

The External Auditor had concluded that overall the Internal Audit section had sound documentation standards and complied with the main requirements of the Public Sector Internal Audit Standards (PSIAF) noting that, in line with good practice, arrangements had been made for an external assessment of Internal Audit's compliance with the PSIAF to be carried out, the outcome of which would reviewed by External Audit.

Having referred to assurances External Audit was planning to take from Internal Audit's work across a number of council systems and related issues, the report explained that while the review of Internal Audit's work had proved satisfactory, there was considered to be a need to strengthen processes for reporting Internal Audit findings to members of the committee. As Internal Audit reports were not normally submitted to them for scrutiny and review, a risk was considered to exist that current reporting arrangements limited the transparency of the findings and opportunities Members had to challenge officers in instances of poor internal control. Furthermore there was considered to be a risk that reports of a sensitive or confidential nature might not be shared with members of the committee and that they may therefore not be aware of all instances of weaknesses in the internal control environment. Details of the planned management actions to address these issues were provided.

Whilst highlighting key aspects of the report, Ms Barrowman confirmed that External Audit had accepted the planned management actions to be taken by the Chief Auditor in response to issues highlighted.

Councillor Miller stated he accepted the comments made, but added that Internal Audit reports were already accessible to and obtainable by members of the committee if they wished to have them which he considered adequate. He also expressed the view that reviewing all such reports in detail could be counterproductive. Ms Barrowman commented on External Audit's view on the current arrangements, officers attending meetings and the improvement the implementation of the new arrangements would bring.

During discussion on related issues, Councillor Swift commented that the way forward was in his view reasonable and that a key issue was finding ways to ensure that control failures, such as those discussed in recent months, did not reoccur and were picked up in time by Members. It was highlighted that in mid-2017 the committee had discussed and agreed to highlight the importance it attached to officers alerting appropriate Members to control failures of the type discussed then when identified initially and that this view had been relayed to the CMT.

Councillor Ireland stated she would value seeing internal audit reports, as this might have helped in terms of various control failures that had come to light. The Chief Auditor confirmed she would be happy to provide any reports requested.

During further discussion, Provost Fletcher commented that Members were also alerted to some issues highlighted by Internal Audit in other ways, citing the example of the position on creditor payments which was reflected in performance reports submitted to the Cabinet. Having referred to the duplicate payment issue discussed by the committee at previous meetings, he expressed the view that openness on issues was already progressed in a number of ways, highlighted that it was not always Internal and External Audit that identified issues, and referred to the option that existed to ask either of those sections to look at issues on which concerns were held including by Members.

Councillor Miller commented that the clarification provided by the Head of Business Change and Revenues of various issues had been useful, following which the value of officers proactively submitting reports to the committee on issues when they considered it necessary to alert Members to a matter was commented on. It was highlighted that the committee could also opt itself to explore issues of interest to it and that calling-in decisions made by the Cabinet was amongst further avenues Members could actively pursue in terms of scrutiny.

Thereafter further clarification was provided on options open to members of the committee to access individual internal audit reports, including after information on the conclusions within them had been reported to the committee under the new arrangements to be implemented by the Chief Auditor. Other issues discussed included the current arrangements for circulating follow-up reports prepared by Internal Audit commenting on the extent to which recommendations had been implemented by departments; the option to invite officers to the committee to discuss issues; and the annual report submitted to the committee on Internal Audit and the annual statement on the adequacy and effectiveness of internal control. The External Auditor's expectation that reports about any major control weaknesses were submitted to the committee, and options to make internal audit reports more readily accessible were commented on further by Ms Barrowman and discussed.

The committee, having heard Councillor Miller welcome the extent to which information was currently being brought to the attention of Opposition Members and reiterate that members of the committee had been asked to suggest issues it could explore:-

- (a) agreed that it would welcome officers proactively submitting reports to it on issues of concern and related action being taken if officers considered it appropriate;
- (b) noted the new arrangements to be implemented by the Chief Auditor in respect of internal audit reports and that these could be reviewed in due course; and
- (c) otherwise, noted the report.

INTERNAL AUDIT STRATEGIC PLAN 2018/19 TO 2022/23

388. The committee considered a report by the Chief Auditor on the Internal Audit Strategic Plan for 2018/19 to 2022/23 which included the proposed Annual Audit Plan for 2018/19. Comments were provided on staffing resources within the Internal Audit section and how these impacted on the implementation of the Plan.

The report explained that the Plan had been prepared following consultation with key partners and clarified, amongst other things, that new audits added included those on invoicing and automatching, parentpay and the Pupil Equity Fund. Audits deleted as they were no longer applicable or had low risk assessments included those on holiday funds and payments to voluntary organisations. It was confirmed that 20 audit days had been included in the Plan for providing an internal audit service to East Renfrewshire Community and Leisure Trust (ERCLT). The scope of audits to be carried out using these days had been agreed with the management of ERCLT and members of its Finance and Resources 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 325 audit days which was considered manageable but would be kept under review. Some audits had been rescheduled to ensure those planned for 2018/19 could be met with the estimated days available and the section's current staffing level was considered adequate at present.

Whilst highlighting key aspects of the report, the Chief Auditor clarified that as well as the plan for 2018/19, a schedule reflecting which audits were to be undertaken each year up to and including 2022/23 had been provided. She also referred to audits that had not been completed during 2017/18 which had been rescheduled to 2018/19 which included the audit of self-directed support charges. The Chief Auditor also referred to some issues on which work would be progressed, such as the National Fraud Initiative, on which reports were not prepared in terms of output; the audit arrangements linked to the ERCLT and the Health and Social Care Partnership Integration Joint Board including related reporting arrangements; and provision made for fraud and general contingency related work.

Referring to capital expenditure, Councillor Swift suggested reviewing these and related estimates querying if added value was always being achieved through such projects. He cited the City Deal as an area which he felt should be reviewed further, as well as assumptions to date regarding the possible new Leisure Centre in the Eastwood side of the authority in terms of revenue income for example in the context of other facilities of this type available and related membership fees. Councillor Grant, supported by Provost Fletcher, queried how these comments related directly to approval of the Strategic Plan, following which Provost Fletcher added that caution should be exercised in terms of suggesting the scrutiny of projects which some Members simply did not like. He also suggested that the appropriate forum for raising the types of issues Councillor Swift had was when the Capital Programme was being considered.

Responding to a specific comment made by Councillor Swift about the very short time afforded to Opposition Members to consider the City Deal proposals when they had had to be considered, Provost Fletcher reported that there had been no choice other than to develop these plans quickly and referred to related scrutiny by bodies such as the Cabinet and External Audit.

In terms of the Plan, Councillor Swift suggested it would be useful if the Chief Auditor could test some assumptions made on capital expenditure, such as how robust estimates were and if expenditure was properly incurred. The Chief Auditor confirmed she could cover this to an extent when the audit of project management of capital plans was being undertaken, such as looking at estimates versus outcomes, whilst highlighting the limited number of days currently allocated to that particular work. She undertook to consult further with Councillor Swift on the focus of the audit before it commenced.

In reply to Councillor Ireland who sought clarification on audit work done for ERCLT and if access could be provided to the reports prepared, the Chief Auditor explained that the reports were prepared for and submitted to the Trust. The Head of Accountancy clarified

that, as the Trust was a separate body, access to these would need to be through an agreement with it. Ms Barrowman commented that although the ERCLT was a separate arms-length body, there should be a formal mechanism that could be triggered in appropriate circumstances if the Trust experienced a significant control failure. The Head of Accountancy referred to the Service Level Agreement between the Council and the Trust and the option to explore the terms of it periodically when it was due to be renewed.

The committee agreed to approve the Internal Audit Strategic Plan for 2018/19 to 2022/23, noting that the Chief Auditor would consult Councillor Swift further on the proposed scope of the audit on project management of capital plans in due course.

Resolution to Exclude Press and Public

At this point in the meeting, on the motion of the Chair, the committee unanimously resolved that in accordance with the provisions of Section 50A(4) of the Local Government (Scotland) Act 1973, as amended, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 1 Part I of Schedule 7A to the Act.

CITY DEAL

389. Under reference to the Minute of the meeting of 8 March 2018 (Page 309, Item 335 refers), when it had been noted that a report on various issues relating to the Glasgow Region City Deal would be submitted to this meeting as the committee had requested, the committee considered a report by the Director of Environment on the matter.

Having clarified that the Council had agreed to participate in the Glasgow Region City Deal programme of work in August 2014, the report referred to the associated total investment and the level in East Renfrewshire, itemising a range of projects being pursued and clarifying how related workload had been and was being addressed and how associated discussions had been pursued and resolved. Clarification on the current staffing position on some issues was provided.

Having heard the Head of Environment highlight key issues within the report, in response to questions, clarification was provided on staffing issues relating to the City Deal within East Renfrewshire and compared to other local authority areas, and when some staffing matters had been and would be reviewed.

The committee agreed to note the report and related comments made.

CHAIR

