

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of virtual meeting held at 2.00pm on 12 August 2021.

Present:

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

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Michelle Blair, Chief Auditor; Linda Hutchison, Clerk to the Committee; Jennifer Graham, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Morven Fraser, Audit Scotland.

Apology:

Councillor Jim McLean.

DECLARATIONS OF INTEREST

1709. There were no declarations of interest intimated.

CHAIR'S REPORT

1710. The Chair advised that this would be the last meeting of the committee which Morven Fraser would attend as she was moving to a new position within Audit Scotland. On behalf of the committee, he thanked Ms Fraser for her support as a member of the Council's External Audit team and extended his best wishes to her for her future career.

ANNUAL TREASURY MANAGEMENT REPORT

1711. Under reference to the Minute of the meeting of 11 March 2021 (Page 1459, Item 1574 refers), when it had been agreed to note the Treasury Management Strategy Report for 2020/21 and recommend to the Council that the Strategy for 2021/22 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 2021, 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 Head of Accountancy (Chief Financial Officer) highlighted key issues within the report, including comments on why the borrowing undertaken during the year varied from the estimates made. She explained that due to the pandemic most building work had required to be paused during the year, as a consequence of which a significant amount of capital expenditure had been delayed and pushed back to future years. Although no new borrowing had been needed in 2020/21 borrowing would be required in future years.

She highlighted that the Council had operated satisfactorily against all indicators which measured risk, prudence and debt; commented on various specific indicators; and confirmed that capital investment plans and treasury management decisions were affordable, prudent and sustainable.

In response to a question from Councillor Grant regarding borrowing, the Head of Accountancy (Chief Financial Officer) confirmed that the Council mainly borrowed from the Public Works Loan Board at a fixed rate, rather than directly from banks.

The committee agreed to:-

- (a) note the Treasury Management Annual Report for 2020/21; and
- (b) **recommend to the Council** that the organisations specified in the report for investment of surplus funds be approved.

NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT IN SCOTLAND OVERVIEW 2021

1712. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Local Government in Scotland Overview 2021*, which under the committee's specialisation arrangements had been sent to Councillors Miller and Grant for review. The 2021 overview focused on councils' COVID-19 responses and, through consultation with the Corporate Management Team, links to various reports which had been submitted to the Council on its response COVID-19 and related progress had been provided.

Under reference to the Minutes of the meetings of 26 November 2020 (Page 1337, Item 1444 refers) when a report on issues raised within the Audit Scotland's COVID-19 Guide for Audit and Risk Committees had been noted and it had been agreed that a further update would be provided in due course; and of 18 March 2021 (Page 1480, item 1591(ii) refers), when it had been noted that the Chair had sought and received clarification that the feedback received in November 2020 on changes to internal controls required due to COVID-19 remained current, it was commented that a wide range of information on COVID-19 issues had already been provided to both the full Council and Audit & Scrutiny Committee and that further updates would be provided as necessary.

In accordance with a decision made by the committee in March 2021, the Clerk confirmed that she would write to members of the committee following the meeting to ascertain if any further updates on specific issues were considered required, by exception, at this stage with a view to reporting back to a future meeting as appropriate.

The committee noted:-

- (a) that the Clerk would ask members of the committee to confirm if there were any issues, by exception, that were raised in the *Audit Scotland COVID-19 Guide for Audit and Risk Committees* on which they wished to seek further feedback or assurances at present, taking account of feedback on various matters provided thus far, with a view to seeking comments and reporting back to a future meeting as appropriate; and
- (b) otherwise, the report and related comments made.

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

1713. 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 & Scrutiny Committee.

The report commented further on the QAIP, options for external assessment, and the self-assessment most recently carried out in July 2021 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 referred to a small variation to the outcome of the self-assessment compared to the previous year associated with temporary COVID-19 support by her team to other services which was now no longer being provided. She confirmed that the QAIP appended to the report included actions from the 2019 and 2020 self-assessments, both of which had been implemented and would be removed from next year's assessment. An action relating to a future audit of 2020/21 COVID-19 grants had also been added on which further information was provided. She added that, as the self-assessment indicated a high level of compliance with PSIAS, scope for further improvement was therefore limited.

The committee noted the outcome of the revised self-assessment.

INTERNAL AUDIT PLAN 2021/22 – IMPLEMENTATION PROGRESS – APRIL TO JUNE 2021

1714. Under reference to the Minute of the meeting of 24 June 2021 (Page 1565, Item 1684 refers), when it had been agreed to approve the Internal Audit Strategic Plan for 2021/22 to 2025/26, the committee considered a report by the Chief Auditor advising of progress on the Internal Audit Annual Plan 2021/22. It was confirmed that no audit reports in relation to planned 2021/22 audit work had been issued in quarter 1. However, during the quarter satisfactory management responses had been received for 3 audit report relating to planned 2020/21 audit work. Reference was also made to the quarterly performance indicators (PIs) for the section, and one new request for assistance dealt with using contingency time.

Whilst commenting on the report and in response to questions, the Chief Auditor referred to a follow-up audit report that had been forwarded to the Clerk and which had just been circulated to members of the committee. She also confirmed that the member of staff previously on secondment had returned to full-time audit duties in April 2021, and that recruitment to fill a vacancy within the section was expected to take place later in the year.

The committee agreed:-

- (a) not to seek any of the reports issued during the quarter at this stage; and
- (b) otherwise, to note the report and related comments.

CHAIR