

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of virtual meeting held at 2.00pm on 23 June 2022.

Present:

Councillor Andrew Morrison (Chair)
Councillor Tony Buchanan
Councillor Paul Edlin

Councillor Annette Ireland
Provost Mary Montague

Councillor Morrison in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Louise Pringle, Director of Business Operations and Partnerships; Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; Gill Darbyshire, Chief Executive's Business Manager; Morag Brown, Strategic Services Senior Lead; Linda Hutchison, Clerk to the Committee; John Burke, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Louisa Yule, Audit Scotland.

Apology:

Councillor Gordon Wallace.

DECLARATIONS OF INTEREST

34. There were no declarations of interest intimated.

CHAIR'S REPORT

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

Welcome

- (i) Having indicated his intention to continue to submit Chair's reports to meetings, Councillor Morrison welcomed new Elected Members, those who had served on the committee previously and officers attending, who were amongst those who supported the committee, to the first meeting following the recent elections.

Councillor Morrison provided information about his professional background which he considered would be helpful to him in his role as Chair, following which he expressed hope that the outstanding appointments of the Vice Chair and final member of the committee would be resolved at the next Council meeting.

Having paid tribute to the work of both his predecessor, former Councillor Stewart Miller, and former Councillor Barbara Grant who had been a long-standing member and Vice Chair of the committee, Councillor Morrison thanked the Clerk for the support she continued to provide.

He highlighted that the report prepared by the previous committee on its work since 2017 reflected the range of matters it had discussed and progressed, commented on associated challenges, and encouraged all members to participate actively and collaboratively in the committee's work to achieve as much as possible. He also encouraged all members to embrace what the committee was about and therefore approach matters in an apolitical manner; scrutinise issues objectively, independently and in a non-confrontational manner; focus on improvement; and adopt a 'critical friend' approach, in the interests of the Council as a whole.

Scrutiny Related Training

- (ii) Councillor Morrison drew attention to the Effective Scrutiny training that was being offered as part of the Councillors' induction programme, encouraging Members to take advantage of this valuable and important opportunity. To complement that, and other scrutiny related training to be offered in the months ahead, he proposed that following the conclusion of the committee's meeting on 11 August, the Chief Auditor and External Auditor provide an overview of their roles, a session to which all Elected Members, not just those serving on the committee, would be invited.

The committee:-

- (a) supported the organisation of the induction session for all Elected Members on the *Roles of Internal and External Audit* immediately after the committee's meeting on 11 August;
- (b) noted that it had recently been confirmed to all Elected Members that training on *Effective Scrutiny* had been scheduled in September, attendance at which was encouraged;
- (c) noted that one further member and the Vice Chair of the committee remained to be appointed by the Council; and
- (d) otherwise, agreed to note the report.

UNAUDITED ANNUAL ACCOUNTS 2021/22

36. Under reference to the Minute of the meeting of 7 April 2022 (Page 1857, Item 1952 refers), when the 2021/22 Annual Audit Plan and timetable for the publication of related documents had been noted, the committee considered a report by the Head of Accountancy (Chief Financial Officer) on the unaudited Annual Accounts for 2021/22 which had been submitted for audit to Audit Scotland, and which were attached for consideration in line with the Local Authority Accounts (Scotland) Regulations 2014.

It was reported that the Council's affairs had been managed within its operational budget with Directors again having taken action to avoid non-essential expenditure during 2021/22 to give the Council more flexibility to address the significant financial difficulties and uncertainties in coming years. The only service which had not remained within budget was the Chief Executive's Office (non-support) where the variance was a result of a sharp fall in investment returns due to prevailing economic factors out with the Council's control.

As a result of the approach taken, there had been no need to draw down the £3,750k from reserves as planned, and a contribution of £107k had been made instead to the Non-Earmarked General Fund Reserve, resulting in a balance of £11,777k as at 31 March 2022. This represented 4.4% of the annual budgeted net revenue expenditure, was slightly above the Council's most prudent target of 4%, and would help address the financial challenges facing the Council during 2022/23 and beyond. However, £5,253k of this had already been committed in balancing the 2022/23 budget.

The report clarified that significant COVID-19 expenditure of £16,819k had been incurred during the year of which £6,390k was funded from the COVID reserve set up at the end of 2020/21. Further funding had also been received during the year allowing additional contributions to be made to the reserve resulting in a year-end balance of £14,085k, this being an in year increase of £1,270k

It was confirmed that £36,786,000 of capital expenditure had been invested. There had also been an operating deficit of £354k on the Housing Revenue Account (HRA), which had decreased the accumulated surplus balance to carry forward to £1,876k.

Whilst referring to key aspects of the report, the Chief Accountant confirmed that the Council's affairs had again been managed within its operational budget, and summarised the position on reserves, referring to a list of reserve balances provided within the Annual Accounts. Whilst referring to Capital expenditure, she referred to a high level split of this provided within the report. She confirmed that the deficit balance of £354k in the HRA, was mainly due to increased costs in materials and sub-contractors, along with increased support services to enable staff to work from home.

It was confirmed that the management commentary within the Annual Accounts outlined the key messages on the objectives and strategy of the Council and on financial performance during 2021/2. It also indicated issues and risks which could impact upon the Council's finances in future and on how COVID-19 affected the Council.

Having welcomed the level of Non-Earmarked General Fund Reserves accumulated relative to annual budgeted net revenue expenditure, Councillor Ireland also welcomed the commentary on both the Healthier Minds Service and Family First, congratulating the departments involved in these and commending the assistance they provided to families.

Whilst commenting further, Councillor Ireland sought clarification why recycling rates had reduced compared to previous years and if this was attributable to local issues or more national factors; and also on the length of time regarding which the additional expenditure of £3m per annum on roads would continue. Having referred to the most recent occasion the Council had set a multi-year budget and the successful community engagement undertaken then as part of that process, she asked if a multi-year budget would be set again and, if so, whether or not a similar community engagement event would be organised. Councillor Ireland also asked when a review of the Risk Management Strategy would be undertaken and completed, and when the Climate Change Partnership would be convened.

Councillor Morrison highlighted that comments on multi-year budgeting had been provided in the report to be considered later in the meeting on the Local Government Financial Overview 2020/21.

Regarding recycling rates, the Strategic Services Senior Lead indicated that, like other local authorities, during the pandemic the Council had witnessed a reduction in these as waste had not been separated to the same extent as normal, in addition to which there had been staffing challenges to cope with. She highlighted that only one council had achieved a higher rate than East Renfrewshire, clarifying that performance on this could be amongst performance issues discussed at the forthcoming Council meeting and that work was focussing on achieving pre-COVID recycling rates.

The Chief Accountant confirmed that the additional annual expenditure of £3m on roads had been approved for 5 years up to and including 2023/24, following which she commented on treasury management related matters. In response to Councillor Edlin, she and the Head of Accountancy (Chief Financial Officer) clarified various matters regarding Reserves, including why these had ultimately not needed to be used during 2021/22 as intended, the level of funds added to the Non-Earmarked General Reserve, and that after expenditure of those earmarked for use during 2022/23, the level of Reserves would still remain at a level considered acceptable by Audit Scotland. The Head of Accountancy (Chief Financial Officer) confirmed her intention to recommend that a 3 year budget be set in February 2023 and that advice from the Community Engagement Team would be taken on how best to conduct related community consultation.

The Chief Executive's Business Manager confirmed that the Risk Management Strategy was currently being revised, that consultation with other officers would form part of that work, and that the Corporate Management Team would consider the revised Strategy towards the end of 2022. She confirmed that the next report on the Strategic Risk Register and risk management progress was due to be submitted to the committee in September 2022.

The committee:-

- (a) agreed that the Clerk seek clarification on when the Climate Community Partnership would be convened, for circulation to members of the committee on receipt; and
- (b) otherwise, agreed to note the content of the unaudited Annual Accounts for 2021/22, in respect of which a report on the final Accounts and related documents would be submitted to a future meeting of the committee in due course.

CODE OF CORPORATE GOVERNANCE

37. Under reference to the Minute of the meeting of 24 June 2021 (Page 1563, Item 1682 refers), when the Code of Corporate Governance updates and actions for 2021/22 had been approved, the committee considered a report by the Director of Business Operations and Partnerships on progress against improvement actions since then, and seeking approval of a revised Code for 2022/23.

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 2021/22 actions, highlighting that three of the six improvement activities listed in the 2021/22 Code had been completed, and that the remaining ones had been carried forward into the 2022/23 plan. It was clarified that the Equality, Fairness and Rights Impact Assessment (EFRIA) had been developed, but a central repository of completed EFRIAs was still in development and expected to go live by the end of 2022; that the Get to Zero Action Plan was still being developed; and that a cross-departmental group on the Information Asset Register was being established to review, prioritise and update data held locally by departments.

The updated Code of Corporate Governance for 2022/23, 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 compliant across all principles.

Having itemised actions to be taken in 2022/23 to further improve compliance with the Code and commented on the Annual Governance Statement to be published in the 2021/22 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 2021/22 had been posted on the Council's website, as would the 2022/23 Code, subject to it being approved by the committee.

The Strategic Services Senior Lead highlighted key issues within the report during which she commented on requirements with which the Council had to comply, the extent of compliance against nationally prescribed criteria, how the Code was updated and supporting evidence gathered, and the actions to be taken to further improve compliance with the Code in 2022/23, four of which were new and three of which were carried forward from 2021/22.

In response to a query from Provost Montague, who commended a range of excellent work being progressed and standards being achieved as referred to in various reports being considered by the committee, the Strategic Services Senior Lead confirmed that the Code was reviewed and updated annually then submitted to the committee each year.

Having referred to her membership of the committee during the previous Administration and what had been achieved, Councillor Ireland, supported by Councillor Buchanan who referred to concerns he held linked to transparency, indicated that it would be remiss of her not to mention, in terms of openness and robust internal controls as referred to the Code, that the committee should be chaired by a non-Administration councillor in the interests of being independent of the Executive and accountable to the governing body. They did not think this was the case under the current Chair, expressing the view that he was not independent of the minority Administration, commenting that this should be kept under review, and indicating their intention to write to Audit Scotland regarding this. Councillor Buchanan reiterated remarks he had made at the most recent Council meeting about it being normal local practice for the largest Opposition party to chair the committee.

Provost Montague commented that she was the only member of the Administration who currently served on the committee. Councillor Morrison referred to a democratic vote having been taken at the Council meeting through which he had been appointed Chair. Councillor Edlin referred to the importance of the committee working collectively together for the benefit of all.

Thereafter, the committee:-

- (a) noted progress on the 2021/22 Code of Corporate Governance improvement actions; and
- (b) approved the Code of Corporate Governance updates and actions for 2022/23.

CONSULTANCY EXPENDITURE AND RELATED LOG

38. Under reference to the Minute of the meeting of 29 April 2021 (Page 1519, Item 1634 refers), when the committee had noted a report on the log maintained in relation to the appointment of consultants for the 2020/21 financial year, and agreed that further such reports should be submitted to the committee annually after the end of each financial year, the committee considered a report by the Clerk referring to discussions by the committee thus far on such expenditure, and providing feedback on consultancy expenditure for the 2021/22 financial year. A copy of the log was appended to the report, which was also published on the corporate procurement section of the Council's website.

In response to Councillor Morrison, the Clerk reported that confirmation could be sought on whether or not active travel measures referred to in the log would ultimately be paid for by Sustrans. More general discussion took place on requesting that the log be modified slightly to clarify if any costs listed would not ultimately be met by the Council but rather a third party. It was suggested this could be achieved, for example, by adding a further column.

Councillor Ireland requested that clarification also be sought regarding the independent assessment of proposed building costs for Caldwell House. Specifically she asked if this entry in the log related to a live planning application and, if so, if the costs listed should be met by the applicant.

The committee agreed:-

- (a) that the Clerk seek and circulate confirmation on whether or not the active travel measures referred to in the log would ultimately be funded by Sustrans;
- (b) that the Clerk seek and circulate confirmation on whether or not the costs of the independent assessment of proposed building costs in relation to Caldwell House related to a live planning application and, if so, if the applicant, rather than the Council, should ultimately meet the costs;
- (c) for ease of review in future, to request that the consultancy log be modified slightly to clarify if any costs listed would not ultimately be met by the Council but rather a third party; and
- (d) otherwise, to note the report and that the next one on consultancy expenditure would be submitted after the end of the 2022/23 financial year.

INTERNAL AUDIT PLAN 2021/22 - IMPLEMENTATION PROGRESS – JANUARY TO MARCH 2022

39. The committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2021/22 Internal Audit Plan from 1 January to 31 March 2022. It was confirmed that eight audit reports in relation to planned 2021/22 audit work had been

completed in Quarter 4, information on which was provided. Details were also provided of audits carried out as part of the 2021/22 plan regarding which satisfactory responses had been received since the last progress report had been submitted.

Reference was also made to the quarterly performance indicators (PIs) for the section, some of which were not being met due to COVID-19 restrictions on audit work that could be carried out and delays in departments responding to audit queries. The report referred to four audits relating to planned 2020/21 audit work which were still in progress, on which it was hoped to issue the reports soon.

Several audits had been deleted from the plan as indicated in Appendix 1 for varying reasons, which it was proposed would be able to be deferred to 2022/23.

The Chief Auditor referred to key aspects of the report, during which she explained that only three reports were now outstanding, two of which were substantially complete and one of which was almost complete. She confirmed that some aspects of the Plan had not been completed due to unforeseen circumstances and a greatly reduced number of audit days available, with audits prioritised which would give as much assurance as possible on the main systems. This would be reported on through the 2021/22 Internal Audit Annual Report to be submitted to the committee following the recess. She highlighted various issues relating to audits, confirming that more detailed feedback was provided in the report on medium and high risk recommendations and low risks ones not accepted by management. The Chief Auditor referred to the main findings of various audits, particularly the ones on Payroll and Council Tax Reductions and Liabilities. Copies of individual audit reports could be made available on request.

The Chief Auditor confirmed that there had been four new requests for assistance dealt with using contingency time. Two related to general contingency matters regarding which the section had been consulted for advice. One related to a theft regarding which further information was provided at the request of Provost Montague. The other related to a potential fraud regarding a COVID grant raised through the whistleblowing hotline on which no further action ultimately needed to be taken. At the request of Councillor Edlin, further clarification on this was provided,

Councillor Ireland requested that a copy of the Housing Repairs audit report be provided.

The committee, having head Councillor Morrison thank the Chief Auditor for the work undertaken by her section in trying circumstances, agreed:-

- (a) that the Internal Audit Report on Housing Repairs be circulated and, otherwise, not to seek any of the reports issued during the quarter at this stage; and
- (b) otherwise, to note the report and related comments made.

INTERNAL AUDIT STRATEGIC PLAN 2022/23 to 2026/27

40. The committee considered a report by the Chief Auditor on the Internal Audit Strategic Plan for 2022/23 to 2026/27, which included the proposed Annual Audit Plan for 2022/23. 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 IT asset management. Similarly, some audits had been deleted from the universe such as if they were no longer applicable, or had low risk assessments. 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, with the scope of audits to be carried out using these days to be agreed with the management of the Trust 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 34 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 the time of writing the report, subject to a vacant post being filled, which had been assumed when calculating the number of audit days available, but would be kept under review.

The Chief Auditor provided further clarification on how the plan was formulated from the audit universe, following which she referred to recent staffing developments, and confirmed there were now two vacancies to be filled moving forward. This was due to a candidate for a vacant post having very recently declined to take up an appointment within the section, and because another officer in the section was moving to a new post. The Chief Auditor highlighted that, on that basis, the proposed plan was already out of date and would require to be refreshed through the submission of an update to a future meeting. Having cited examples of audits removed from the audit universe for various reasons, reference was made to the provision made for contingency within the Plan.

Councillor Morrison drew attention to a useful summary on the first page of the report on the role of Internal Audit which he considered could be of particular interest to new Members.

The committee:-

- (a) agreed to approve the Internal Audit Strategic Plan 2022/23 to 2026/27 for implementation to the extent it was possible to do so in view of resources available in the Internal Audit section; and
- (b) noted that a revised Plan, taking account of the recent staffing developments, would be submitted to the next meeting.

NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT FINANCIAL OVERVIEW 2020/21

41. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Local Government in Scotland: Financial Overview 2020/21*, which had been circulated to all Audit and Scrutiny Committee members. It was noted that, pending confirmation of the committee's specialisation arrangements for dealing with such reports, Councillor Morrison was leading the review of this report. The Head of Accountancy (Chief Financial Officer) had been asked to provide comments and a copy of her feedback was attached to the report.

Reference was made to the Council's income in 2020/21, including the position on resources to address COVID-19, an increase in ring fencing and the longer term reduction in resources available in real terms. Other matters referred to included Council Tax collection and related issues, the impact of COVID-19 on income streams, Grant Aided Expenditure, and the reduced flexibility councils had as a result of the increased commitment of funding to national policy initiatives.

Regarding the Council's financial position, topics commented on included the funding gap of just over 6% faced by the Council in 2020/21, savings achieved, and the accumulation and use of reserves. The position on capital expenditure and related issues was summarised as was the position on debt, the Council's long-term financial plan, the submission of the draft Annual Accounts to External Audit by 30 June 2020, and the related unqualified audit certificate received.

Having summarised the position on the Council's financial outlook, the report concluded that whilst East Renfrewshire was not specifically mentioned in the national external audit report, the matters raised within it were almost all relevant to the Council and that it was clear that it would continue to face substantial and increasing financial challenges in future.

Referring to Paragraph 29 of the comments provided by the Head of Accountancy (Chief Financial Officer), Councillor Morrison highlighted that following the outcome of the Scottish Government's Resource Spending Review published on 31 May 2022, it would be possible for the Council to resume its preferred 3 year budget setting approach from 2023/24 onwards.

The committee agreed to note the report.

INTEGRATION JOINT BOARD PERFORMANCE AND AUDIT COMMITTEE – INVITATION TO CO-OPT MEMBER OF AUDIT AND SCRUTINY COMMITTEE

42. The committee considered a report seeking the nomination of a member of the committee to serve as a co-optee on the Performance and Audit Committee of the Integration Joint Board and the nomination of a substitute.

Having heard Provost Montague indicate she would be happy to nominate Councillor Morrison as the main appointee, given his professional background and his role as Chair of the Audit and Scrutiny Committee, in the absence of any other member indicating an interest in the appointments at this stage, Councillor Morrison proposed that the item be continued until the full membership of the committee was determined and pending some discussion on the way forward on the committee's specialisation arrangements.

The committee agreed that the nomination of a member of the committee to serve as a co-opted member of the East Renfrewshire Integration Joint Board (IJB) Performance and Audit Committee, and the nomination of a substitute, be continued.

AUDIT AND SCRUTINY COMMITTEE WORK PLAN, OUTCOME OF SELF-EVALUATION AND RELATED ISSUES

43. Under reference to the Minute of the meeting of 7 April 2022 (Page 1860, Item 1954 refers), when the committee had approved a list of observations and recommendations arising from a self-evaluation it had just completed to pass to the new committee for consideration, the committee considered a report by the Clerk, commenting on the operation of the committee, its Work Plans and related issues; referring to the recent self-evaluation; and seeking views on the observations and recommendations arising from that review.

The report provided background information on the committee, including a range of more recent developments which included the development of scrutiny training for Members, the preparation and distribution of a Guide to Scrutiny and Review, a copy of which was attached to the report, and the formulation of annual Work Plans for the committee since 2019/20. Further matters commented on included the schedule of forthcoming meetings regarding which

it was proposed that a special meeting be convened on 26 October to enable the Annual Accounts and related reports to be considered; the committee's terms of reference; and routine matters considered by the committee both annually and otherwise.

Whilst making reference to the way in which external audit, internal audit and inspection reports were dealt with, and related specialisation arrangements that had been in place, amongst other things, the committee was asked to consider specialisation responsibilities resting with individual members of the committee, rather than pairs, to help ensure no dubiety existed about who was responsible for leading a review of reports or providing feedback, and to consider if they wished to invite appropriate senior officers to attend more of its meetings, at least more than before, to answer questions on external audit issues etc. when local feedback was considered.

Having commented on the arrangements in place to enable called in Cabinet decisions to be considered, the report referred to the committee's most recent self-evaluation and the related outcomes, inviting the committee to consider if any of the observations and recommendations made were not supported to allow various matters to be taken forward.

Reference was made to the committee's Work Plans and related issues, in respect of which a draft Work Plan for 2022/23 was proposed for consideration to the extent it had been developed thus far. It was explained that, in due course, with a view to a report being prepared and submitted to a future meeting, the Clerk would invite members of the committee to start to consider their views on potential topics they may wish to examine in-depth or otherwise.

Having heard the Clerk highlight keys aspects of the report, Councillor Morrison drew Members' attention to Paragraph 31 of the report which set out the areas of specialisation to be considered and asked them to start to contemplate which areas they may have particular expertise, knowledge or interest in to allow feedback on this to be provided to the Clerk.

The committee agreed:-

- (a) in principle, regarding the committee's specialisation arrangements for dealing with external audit, internal audit and inspection reports, that specialisation responsibilities should rest with individual members of the committee, rather than pairs, regarding which the Clerk would consult further with members on which remits they would be interested in pursuing with a view to submitting more specific proposals to a future meeting;
- (b) further to (a) above, to endorse all of the remaining observations and approve all of the remaining recommendations arising from the self-evaluation as specified in Appendix B to the report which would now be implemented as appropriate;
- (c) that a special meeting of the committee be convened at 2.00pm on Wednesday, 26 October 2022 to allow the 2021/22 Annual Accounts and draft Annual Audit Report and related documents to be considered prior to their submission to the full Council later that day;
- (d) to approve the committee's 2022/23 Annual Work Plan, to the extent it had been developed thus far;
- (e) that the development of the 2022/23 Work Plan continue, with an update submitted to a future meeting;

- (f) to note further to (d) and (e) above, that members of the committee would be invited, in due course, to consider issues on which they might wish the committee to progress work and provide related feedback to the Clerk with a view to proposals being considered at a future meeting;
- (g) to note that progress made delivering the 2022/23 Work Plan would be reviewed and reported on in due course; and
- (h) otherwise, to note the report.

CHAIR

