

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 11 August 2022.

Present:

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

Councillor David Macdonald*
Provost Mary Montague*
Councillor Gordon Wallace

Councillor Morrison in the Chair

(*) indicates remote attendance

Attending:

Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; Linda Hutchison, Clerk to the Committee; Jennifer Graham, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Louisa Yule, Audit Scotland.*

Apology:

Councillor Annette Ireland.

DECLARATIONS OF INTEREST

65. There were no declarations of interest intimated.

CHAIR'S REPORT

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

Welcome

- (i) Councillor Morrison welcomed Councillor Macdonald to his first meeting of the committee following his recent appointment, also referring to the appointment of Councillor Buchanan as Vice Chair of the committee, confirming that he looked forward to working closely with him in that capacity.

Scrutiny Related Induction Training

- (ii) Under reference to the Minute of the meeting of 23 June 2022 (Page 58, Item 35(ii) refers) when, amongst other things, it was noted that an induction session for all Elected Members on the *Roles of Internal and External Audit* would be held, Councillor Morrison confirmed that the session was taking place at the conclusion of the meeting. On a related issue, he highlighted that the next element of the scrutiny training programme organised for all Elected Members was the *Effective Scrutiny Skills* session which they could attend on either 8 or 9 September. He encouraged everyone to attend and confirm which session they would be going to as soon as possible if they had not already done so.

The committee noted:-

- (a) the appointments of Councillor David Macdonald as an ordinary member and Councillor Tony Buchanan as Vice Chair of the committee;
- (b) that an induction session for all Elected Members on the *Roles of Internal and External Audit* would be held at the conclusion of the meeting;
- (c) that all Elected Members had also been invited to attend one of two sessions on *Effective Scrutiny Skills* on either 8 or 9 September, attendance at which was encouraged; and
- (d) otherwise, the report.

CLARIFICATION RECEIVED ON QUERIES RAISED AT PREVIOUS MEETING

67. Under reference to the Minute of the meeting of 23 June 2022 (Pages 58 and 62, Items 36 and 38 respectively refer), when it had been agreed that the Clerk would seek clarification on a number of matters, in the interests of transparency the committee considered a report by the Clerk summarising the clarification received and circulated on queries raised at the previous meeting on when the Climate Community Partnership would be convened; the funding of various active travel measures; and who met the costs of specialist advice for Major planning applications.

The committee noted the position.

ANNUAL TREASURY MANAGEMENT REPORT 2021/22

68. Under reference to the Minute of the meeting of 17 February 2022 (Page 1791, Item 1893 refers), when it had been agreed to recommend to the Council that the Treasury Management Strategy for 2022/23 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 2022, 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 Chief Accountant 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 restrictions caused by the pandemic and the war in Ukraine, a significant amount of capital expenditure had been delayed to future years, as a consequence of which only £5m of borrowing had been required in 2021/22 as opposed to the £30m anticipated.

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 questions, the Chief Accountant undertook to provide further clarification to the Clerk, for circulation to Members, on why the risk indicator percentages were set at their current levels. Regarding whether or not it was policy to only borrow fixed interest rate loans, she confirmed that the Treasury Management Strategy approved in March set out the Council's policies on this issue, confirming that the underlying policy was to only use such loans. She clarified that there was only one set of loans that had been taken at a variable rate, that the remainder were Public Works Loan Board loans, and that interest rates would continue to be monitored.

The committee agreed:-

- (a) that the Chief Accountant would provide clarification to the Clerk for circulation to Members on why the risk indicator percentages were set at their current levels;
- (b) to note the Treasury Management Annual Report for 2021/22 and associated comments; and
- (c) to **recommend to the Council** that the organisations specified in the report for investment of surplus funds be approved.

INTERNAL AUDIT ANNUAL REPORT 2021/22

69. Under reference to the Minute of the meeting of 23 September 2021 (Page 1652, Item 1767 refers), when the Internal Audit Annual Report 2020/21 had been noted, the committee considered a report by the Chief Auditor regarding the annual report on the activities of internal audit during 2021/22, 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 2021/22.

Whilst commenting on the report and implementation of the 2021/22 Plan, the Chief Auditor stressed that 2021/22 had been a very challenging year for Internal Audit, with some audits in the plan not having been completed due to continuing COVID-19 restrictions generally and also long-term staff absences within the team. She added that priority had been given to completing those audits which gave most assurance that internal controls continued to operate satisfactorily, confirming that sufficient audits had been completed to enable an audit opinion to be provided. She reported that 18 reports had been issued relating to the 2021/22 Plan, satisfactory responses having been received for all except 2 where the due date for responses had not yet passed. She quantified the initial and final number of audit days available to implement the Plan.

The Chief Auditor commented on two recommendations within one report which had not been fully accepted by management and related reasons provided which had been accepted. Having summarised the position on various potential fraud and contingency matters and related issues, she also referred to and cited examples of issues that had impacted on Performance Indicators for the section, and clarified the extent to which the section operated almost fully in compliance with Public Sector Internal Auditor Standards, confirming that little scope existed therefore for further improvement.

Regarding the annual statement on the adequacy and effectiveness of the Council's governance, risk management and internal controls, the report confirmed that based on the information available and work carried out, the Chief Auditor's opinion was that reasonable assurance could be placed upon the adequacy and effectiveness of these controls in the year to 31 March 2022, except in respect of one issue that remained under investigation by Police Scotland due to which she was unable to comment further at present.

In response to questions, the Chief Auditor confirmed that staffing problems in her team during 2021/22 were due to two long-term illnesses within the section, that it was a priority in 2022/23 to fill two vacant posts which she was discussing with Human Resources, but that a related challenge was an apparent nationwide problem recruiting both accountants and auditors in the public sector. The value of raising this issue with the External Auditor was commented on by Councillor Morrison.

In response to further questions, the Chief Auditor clarified that the speed at which the Council paid invoices had improved with payments now generally made quickly, but that there remained some delays which were attributable, for example, to the late submission of invoices by suppliers. Regarding COVID related grants, she reported that internal audit work had not revealed any major problems regarding this, and that the appropriate guidance to process these had been adhered to. Regarding fraud and related audit work, the Chief Auditor confirmed that consideration was given to including these as separate audits in future years; and that one such fraud issue identified related to the issue that had been reported to Police Scotland.

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 2021/22 and associated comments.

INTERNAL AUDIT PLAN 2022/23 – IMPLEMENTATION PROGRESS – APRIL TO JUNE 2022

70. Under reference to the Minute of the meeting of 23 June 2022 (Page 63, Item 40 refers), when it had been agreed to approve the Internal Audit Strategic Plan for 2022/23 to 2026/27, the committee considered a report by the Chief Auditor advising of progress on the Internal Audit Annual Plan 2022/23 from 1 April to 30 June 2022. It was confirmed that two audit reports in relation to planned 2022/23 audit work had been completed in Quarter 1, information on which had been provided. Details were also provided of audits carried out as part of the 2021/22 and 2022/23 plans regarding which satisfactory management 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 which were currently being met, and three new requests for assistance dealt with using contingency time, none of which had resulted in financial loss to the Council.

In response to questions, the Chief Auditor provided examples of the types of requests made for assistance which were met from the provision made for contingencies within the plan, such as checking that data had transferred correctly to a new system. In response to Councillor Morrison who asked if the new External Auditor was aware of the problem recruiting Internal Audit staff to her team, the Chief Auditor confirmed that a meeting with the new External Auditor was still to take place, but that internal audit resources would continue to be concentrated on larger system audits during 2022/23 for the time being.

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.

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

71. Under reference to the Minute of the meeting of 23 June 2022 (Page 65, Item 43 refers), when it had been agreed that the Clerk would consult with members of the committee on specialisation remits for dealing with internal and external audit reports and inspection reports with a view to submitting specific proposals to a future meeting, the committee considered a report by the Clerk seeking approval of the committee's specialisation arrangements.

The committee, having heard the Clerk confirm that reports would be circulated to all members of the committee enabling them to raise issues if they wished irrespective of which member was leading the review of a particular report and that changes to the remits could be made in future if considered required, approved the proposals for the specialisation arrangements as specified in the report.

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

72. Under reference to the Minute of the meeting of 23 June 2022 (Page 65, Item 42 refers), when it had been 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, the committee considered a report by the Clerk seeking the nomination of the co-optee and substitute.

The committee agreed **to recommend to the Council** that Councillor Macdonald be appointed as the co-optee and that Councillor Wallace be appointed as substitute.

