

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 10 November 2022.

Present:

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

Councillor David Macdonald (*)
Provost Mary Montague (*)

Councillor Morrison in the Chair

(*) indicates remote attendance

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; Kath McCormack, HR Manager; Linda Hutchison, Clerk to the Committee; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Rob Jones, Ernst and Young.

Apologies:

Councillors Annette Ireland and Gordon Wallace.

DECLARATIONS OF INTEREST

227. There were no declarations of interest intimated.

CHAIR'S REPORT

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

Strategic Risk Register – Query Raised at September Meeting

- (i) Under reference to the Minute of the meeting of 29 September (Page 209, Item 151 refers), when it had been agreed that comments made on considering the inclusion of a risk on Scottish Independence in the Strategic Risk Register would be relayed back to appropriate officers and that feedback on the outcome

of the related discussion on this would be provided, Councillor Morrison reported that, since the agenda for the meeting had been issued, the Clerk had circulated feedback received on this issue. In the interests of transparency and rather than waiting until the next scheduled meeting in January to report on the feedback received, he confirmed that the Chief Executive had clarified that following a suggestion by Audit Scotland at the Audit and Scrutiny Committee in April 2022 during a discussion on emerging risks such as Independence, a new section on "horizon scanning" to identify such areas had been included for the first time in the Review of the Strategic Risk Register and Risk Management Progress report considered by the committee in September 2022. Such emerging risks were currently considered by the Corporate Management Team (CMT) but had not, as yet, been scored and resulted in a risk being added to the Strategic Risk Register.

Having heard Councillor Buchanan welcome the more open notification of emerging risks that could impact on the authority and comment that there could be multiple issues to reflect on either relating to Independence or Scotland remaining part of the United Kingdom, Councillor Morrison acknowledged the importance of the CMT maintaining a watchful eye on all potential risks faced.

(ii) Scrutiny Related Induction Training

Under reference to the Minute of the meeting of 11 August (Page 95, Item 66 refers), when clarification on some elements of the scrutiny related induction training programme had been provided, Councillor Morrison confirmed that two important induction training sessions for all Elected Members were taking place relatively soon. He clarified that a virtual session on *Treasury Management* was scheduled to take place on Monday, 5 December, and that training on *Effective Scrutiny Skills*, rearranged from September, would take place in January. Regarding the latter he reported that all Members could attend these in-person workshops on either the afternoon of Thursday, 12 January or morning of Friday, 13 January. He encouraged everyone to attend, whether experienced or not, and to confirm their intentions in response to related correspondence issued which was very helpful to the officers making the detailed arrangements.

In response to Councillor Edlin who stated that he was unable to attend the sessions in January, the Clerk clarified that one of the *Effective Scrutiny Skills* sessions in September had proceeded and that it was unlikely therefore that further dates would be offered, especially as an external provider was leading them, but reported that there may be information from the session that could be made available to him.

(iii) Meeting with External Auditor

For information, Councillor Morrison reported that, as Chair of the committee, he had been invited to meet with representatives of the new External Audit team on Thursday, 1 December, as part of their initial introductions within the Council. He looked forward to meeting Rob Jones and other representatives of the Ersnt and Young Team.

The committee noted:-

- (a) the feedback provided on the risk issue raised relating to Scottish Independence;

- (b) that all Elected Members had been invited to attend *Treasury Management and Effective Scrutiny Skills* training in December and January respectively, attendance at which was encouraged;
- (c) that the Chair was scheduled to meet with representatives of the new External Audit team on 1 December; and
- (d) otherwise, the report.

SUMMARY OF EARLY RETIREMENT/REDUNDANCY COSTS TO 31 MARCH 2022

229. Under reference to the Minute of the meeting of 23 September 2021 (Page 1649, Item 1762 refers), when early retirements/redundancies to 31 March 2021 had been discussed, the committee considered a report by the Director of Business Operations and Partnerships summarising the position on early retirement/redundancy costs from 1 April 2021 to 31 March 2022 and related issues. Information on the total costs incurred and projected savings was provided.

Whilst commenting on the report, the HR Manager clarified that redundancies continued to be assessed using a process based on a financial business case, commented on legal requirements, and referred to related costs and savings that would be achieved which depended on the individual circumstances of each employee concerned.

The committee noted the content of the report, the explanations provided for early retirements/redundancies within the period it covered, and related projected savings.

INTERIM TREASURY MANAGEMENT REPORT 2022-23

230. Under reference to the Minute of the meeting of 11 August 2021 (Page 96, Item, 68 refers), when the committee had noted the Treasury Management Annual Report for 2021-22, and recommended to the Council that the organisations specified in that report for investment of surplus funds be approved, the committee considered a report by the Head of Accountancy (Chief Financial Officer) on treasury management activities for the first six months of 2022-23.

The report explained that in line with the CIPFA Code of Practice on Treasury Management 2017, the Audit and Scrutiny Committee was responsible for ensuring effective scrutiny of the Council's treasury management activities. In accordance with that requirement, the interim Treasury Management Report for 2022-23 was attached to the report for consideration.

Whilst highlighting key aspects of the report, the Chief Accountant confirmed that it showed the Council's debt position and provided related information depicting the movement in investments and borrowing over the first 6 months of 2022-23. She explained that long-term borrowing had been fairly static, with only a small amount of debt paid off. Anticipated borrowing of £55m from the Public Works Loan Board (PWLB) had not yet been taken due to high levels of short-term investments held and increase in rates offered.

The Chief Accountant clarified that, in accordance with the Council's strategy on variable rate loans not exceeding 30% of the total debt outstanding, this had peaked at just over 7%, but would increase gradually as PWLB loans were paid off or reduce as further ones were taken. The level of this indicator would be reviewed as part of work undertaken on the Treasury Management Strategy on which a report would be submitted to the committee early in 2023. Short-term investments had increased slightly due to cash flows in both capital and revenue, reasons for which were outlined.

The Chief Accountant highlighted that the prudential indicators helped confirm that capital investment plans and treasury management decisions remained affordable, prudent and sustainable. In particular, indicators 3 and 4 demonstrated that the Council was operating well within its limits.

Finally, the Chief Accountant commented on amendments to the Council's list of counterparties, confirming that the list had changed slightly from the one in the 2021-22 year-end report. It was clarified that all investments were restricted to UK bodies with high credit ratings, with the maximum period of investment, in general, restricted to 6 months.

Councillor Morrison referred to the 0.11% reduction achieved in average interest rates charged at a time when interest rates were increasing nationally, seeking clarification if the rate charged was expected to increase in future. The Chief Accountant confirmed that this would be subject to the investments taken and those repaid, and that the Council's treasury advisors expected interest rates to reduce in the next 18 months and hopefully remain more steady after that.

The committee agreed:-

- (a) to **recommend to the Council** that the organisations for investment of surplus funds be approved in accordance with Appendix 2 to the report; and
- (b) otherwise, to note the report and related comments made.

INTERNAL AUDIT PLAN 2022-23 – IMPLEMENTATION PROGRESS – JULY TO SEPTEMBER 2022

231. The committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2022-23 Internal Audit Plan from 1 June to 30 September 2022. It was confirmed that seven audit reports in relation to planned 2022-23 audit work had been completed in quarter 2, information on which was provided. Details of reports which were carried out as part of the 2021-22 and 2022-23 plans, on which responses had been received since the previous progress report had been submitted, were also provided.

Reference was made to the quarterly performance indicators (PIs) for the section. The report also confirmed that there had been one new request for assistance dealt with using contingency time, which had not resulted in a financial loss to the Council.

The Chief Auditor referred to key aspects of the report, during which she confirmed that four of the seven reports issued in the quarter relating to planned 2022-23 audit work were follow-up reports which either had already been or would be circulated to members of the committee. Having confirmed that two vacancies remained in the Internal Audit section, she explained that whilst this remained the case she would have to continue to review regularly which audits in the 2022-23 plan would need to be deleted or deferred, giving priority to completing audits which would provide the most overall assurance on system controls.

Whilst commenting on specific audit reports, including the extent to which recommendations had been accepted by management, the Chief Auditor highlighted a typographical error in the report on the debtors' audit, confirming that the timescale for addressing the recommendation on debt recovery suppression reports was December 2022 not December 2023.

In response to Councillor Macdonald who sought clarification on the extent to which records were maintained of those who completed compulsory General Data Protection Regulations (GDPR) training every two years, the Chief Auditor confirmed that some records were kept, but that those for individual employees had to be checked by line managers to verify that

required training, such as on GDPR, was completed within required timescales. It had been hoped that reports could be generated identifying who had not met the requirements, but this facility was not yet in place. Councillor Macdonald expressed the view that access to reports to enable such checks to be done was an issue on which further work was potentially required.

In response to Councillor Morrison, the Chief Auditor confirmed that the value of the stock referred to in the housing maintenance store audit was approximately £98k, £80k of which was held in the main store at Thornliebank Depot, with the balance held in imprest vans.

Also in response to Councillor Morrison, the Chief Auditor referred to complexities associated with filling the vacant posts within her section whilst it remained unclear if there would be a budget for these in future which also impacted on whether or not any permanent appointments could be made for the time being. Councillor Morrison commented that it would be useful for the committee to receive further clarification on the position on the posts in future.

In response to Councillor Edlin, the Clerk confirmed that the Committee Services Officer vacancy within the Democratic Service team was in the process of being filled.

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, subject to the amendment referred to above, and related comments made.

NATIONAL EXTERNAL AUDIT REPORT – SCOTLAND'S FINANCIAL RESPONSE TO COVID-19

232. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Scotland's Financial Response to COVID-19* regarding which, under the committee's specialisation arrangements, Councillor Morrison was leading the review of the report. Given the nature of the Audit Scotland report, members of the CMT and other senior officers had provided comments on various aspects of the report. The comments, which had been collated, were attached to this report.

The report reflected that a range of reports, submitted not only to the committee but also other bodies including the full Council, had focussed specifically on COVID-19 issues, the most recent update submitted to the full Council on COVID-19 recovery having been considered in June 2022. As considered appropriate, such reports had commented on a range of financial issues.

As well as providing some background information on the Audit Scotland report, issues raised within it, and related recommendations made for local authorities, the feedback collated comments provided by the CMT and other senior officers on a range of issues, focussing on the public financial response, management of the overall financial implications, and management of the COVID-19 public spending programme. Comments were included on COVID-19 grants in response to some issues raised by members of the committee.

Councillor Morrison highlighted that the Council had required to respond to the unexpected emergence of COVID-19 to the best of its ability such as using national funding and related guidelines made available, one main issue for him being if anything would be done differently if similar action had to be taken in future such as the mass payment of grants to businesses. He highlighted that this issue was addressed in the report. He had been encouraged to read that the Economic Development team within the Council had itself considered more efficient

ways to address grant distribution in future, and welcomed related developments on the establishment by the Scottish Government of a centralised system which would be helpful in future. Under all the circumstances faced, he expressed the view that the Council had performed very well in terms of its response.

Councillor Buchanan referred to comments made in the past praising staff for their response to the pandemic the reasons for which were illustrated in the report, highlighting how officers responded, with assistance from the third sector when required, to ensure both individuals and businesses were supported. He considered such support, including the work done on the humanitarian response, to be incredible. Councillor Buchanan also referred to lessons learned as should be the case, and emphasised the speed of the action taken by officers to ensure the needs of residents were met, depicting the work done, and by the third sector also, as phenomenal.

The report and related comments made were noted.

CHAIR