

**MINUTE**  
**of**  
**AUDIT & SCRUTINY COMMITTEE**

**Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 26 September 2023.**

**Present:**

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

Provost Mary Montague  
Councillor David Macdonald\*

Councillor Morrison in the Chair

(\*) indicates remote attendance

**Attending:**

Steven Quinn, Chief Executive; Louise Pringle, Director of Business Operations and Partnerships; Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Michelle Blair, Chief Auditor; Alison Ballingall, Senior Revenues Manager; Gill Darbyshire, Chief Executive's Business Manager; Linda Hutchison, Clerk to the Committee; Jennifer Graham, Committee Services Officer; and John Burke, Committee Services Officer.

**Also Attending:**

Rob Jones and Grace Scanlin, Ernst and Young.

**Apologies:**

Councillors Annette Ireland and Gordon Wallace.

**DECLARATIONS OF INTEREST**

**591.** There were no declarations of interest intimated.

**CHAIR'S REPORT**

**592.** Councillor Morrison reported that, in his capacity as Chair, he had had a further routine meeting with Mr Jones of the External Audit team on 6 September at which issues discussed included the submission to the Committee of the Internal Audit Annual Report, the Annual Accounts and draft Annual Audit Report, and the Best Value Thematic Report on Strategic Planning. Standard audit inquiries, such as regarding fraud and error, were also discussed.

The Committee noted the position.

### **CLARIFICATION RECEIVED ON QUERIES RAISED AT PREVIOUS MEETING**

**593.** Under reference to the Minute of the meeting of 10 August (Page 585, Item 531 refers), when it had been agreed to seek comments from appropriate officers on various issues, in the interests of transparency the Committee considered a report by the Clerk summarising the clarification received and circulated on queries raised regarding the Internal Audit Report on the *Council Tax System – Recovery and Enforcement*.

In response to Councillor Morrison, the Senior Revenues Manager clarified that the significant reduction in the target time for processing Council Tax discounts and exemptions was regarded as a stretch target and that progress achieving this would be measured.

The Committee noted the position.

### **2022/23 ANNUAL ACCOUNTS FOR THE COUNCIL'S CHARITABLE TRUSTS AND EXTERNAL AUDIT (INTERNATIONAL STANDARD ON AUDITING (ISA) 260) REPORT**

**594.** Under reference to the Minute of the meeting of 22 June 2023 (Page 558, Item 497 refers), when the Committee had noted the unaudited Annual Accounts for 2022/23 and that a report on the final Accounts for the Council's charitable trusts and related documents would be submitted to a future meeting, the Committee considered a report by the Head of Accountancy (Chief Financial Officer) explaining that the audit of the amalgamated 2022/23 Annual Accounts for the seven charitable trusts for which the Council acted as Trustee had been completed, and submitting a copy for consideration. The External Auditor's report on the trusts, completed in compliance with ISA 260, was also submitted for consideration which had been included in the draft Annual Audit Report to the Council for 2022/23 (Item 595 below refers).

Mr Jones commented on the Accounts and related issues, confirming that the audit had been concluded and that there with no unadjusted issues requiring to be brought to the Committee's attention. He clarified that one of the trusts, the Endowment for Talented Children and Young People, had been closed on 31 March 2023 as no expenditure had been incurred in recent years, and thanked the Trustees and officers involved in assisting with the audit.

In response to Councillor Edlin who suggested that trusts, such as these and others, could be used better for the benefit of schools given associated tax benefits, the Head of Accountancy (Chief Financial Officer) clarified that, although a number of the current ones covered educational objectives, this was often not the only stipulation on their use. Having referred to the small scale of some of the remaining funds and restrictions on their use taking account of the terms of the original bequests, and commented on previous discussions with legal services on scope to vary the terms of the Trusts which was very difficult, she undertook to make the Chief Officer – Legal and Procurement aware of the comments made and to raise with him if potential existed to establish and use other trusts funds given the associated tax benefits. She also referred to other fund raising opportunities pursued by schools.

Also in response to Councillor Edlin, Mr Jones explained how the audit fees for work on the trusts were calculated based on a daily rate. He clarified that, although the funds were small, approximately 75 hours of audit time had been required, including to complete required procedures irrespective of the extent to which the trusts were used. Having reported that other

options for the future audit of the trusts had been made and might be pursued, he undertook to provide further clarification on the fees to the Head of Accountancy (Chief Financial Officer).

The Committee agreed:-

- (a) to note the comments made by the External Auditor on the audit fee in relation to the Trusts and that the External Auditor would provide further clarification on this to the Head of Accountancy (Chief Financial Officer);
- (b) to note that discussions were continuing between the Head of Accountancy (Chief Financial Officer) and Chief Officer – Legal and Procurement on potential ways of reducing the number of the existing Charitable Trust Funds, and that the Head of Accountancy (Chief Financial Officer) would also discuss with the Chief Officer – Legal and Procurement if potential existed to widen the use of the existing trust funds or establish and use other trusts funds given tax benefits associated with these;
- (c) to note the External Auditor's comments on matters arising from the audits of the registered charities for 2022/23 made in the draft Annual Audit Report to the Council (Item 595 below refers) and related comments made;
- (d) to note the amalgamated Annual Accounts for 2022/23 for the seven charitable trusts for which the Council acted as Trustee; and
- (e) otherwise, to remit the report to the Council for consideration.

## **2022/23 ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR EAST RENFREWSHIRE COUNCIL**

**595.** Under reference to the Minute of the meeting of 22 June 2023 (Page 558, Item 497 refers), when the Committee had noted the unaudited Annual Accounts for 2022/23 and that a report on final Accounts and related documents would be submitted to a future meeting, the Committee considered a report by the Head of Accountancy (Chief Financial Officer) regarding the Annual Accounts for 2022/23, an updated copy of which had been circulated just prior to the meeting, and the associated draft Annual Audit Report prepared by the External Auditor which provided an overview of the main issues arising from the 2022/23 audit and would be issued in final form after the financial statements had been certified.

The Council had received an audit certificate which was unqualified. It had operated within its operational budget, the overall position having improved by £5.739m due mainly to various one-off variances including improved income of £2.2m; a lower requirement for miscellaneous budgets in relation to redundancies and other contingencies, and departmental underspends.

Transfers totalling £5,600k had been made to various specific reserves as itemised in the report to address current pressures. After taking account of the budgeted drawdown of £5,253k, the balance of £139k on the overall surplus had been allocated to the Non-Earmarked reserve resulting in a net decrease of £5,114k. The balance of the Council's Non-Earmarked reserve was £6,658k, which equated to 2.3% of annual budgeted net revenue expenditure. This was in accordance with the Council's Reserves policy to hold a minimum level of around 2%, the upper target being 4%.

Significant COVID-19 related expenditure of £8,744k had been incurred, of which £5,523k had been funded from the reserve set up for this at the end of 2020/21. Further funding had been received during the year allowing additional contributions to be made to the COVID reserve,

resulting in a year-end balance of £8,562k, which would be allocated fully in 2023/24 to support residents and the local economy. The Council's General Fund reserve balance at 31 March 2023 totalled £52.114m. This was an increase of £5.925m from the previous year, mainly due to the establishment of the new £14.8m Service Concession reserve, after seeking approval to revise the Private Finance Initiative (PFI) debt arrangements.

Capital expenditure of £46.189m had been invested, and there had been an operating deficit of £0.069m on the Housing Revenue Account (HRA), thus decreasing the accumulated surpluses carried forward on that Account to £1.798m.

Mr Jones highlighted key messages in the draft Annual Audit Report, confirming it was intended to issue an unqualified auditor's certificate on the Annual Accounts, and highlighting that eight adjustments arising from the audit had been reflected in the 2022/23 financial statements, with a further 3 impacting on those for the prior year. One disclosure reflected a late audit adjustment in the Strathclyde Pension Fund.

Whilst referring to significant and fraud audit risks, Mr Jones specified those all auditors required to assume existed and confirmed that no material matters had been identified from External Audit's perspective. He reported that one of the most material matters concerning the financial statements audit concerned the valuation of property, plant and equipment regarding which recommendations had been made to deliver improvements and avoid adjustments in future, such as on the valuation of land and buildings including schools regarding which revaluations every 5 years were no longer considered appropriate for various reasons, including linked to inflation. It was confirmed that additional audit procedures had been concluded to ensure that management had made appropriate arrangements to verify that no buildings were impacted by the issues concerning Reinforced Autoclaved Aerated Concrete (RAAC), but highlighted that RAAC was likely to continue to be a national issue going forward with further requirements expected to be placed on councils, such as to provide additional information.

Mr Jones advised that, as 2022/23 was the first year of Ernst and Young's appointment some additional procedures had required to be carried out by the External Audit team. He confirmed that no adjustments on accounting for PFI schemes had been required or needed to be highlighted. The position on one substantive issue that arose, on which late guidance had been received, was summarised concerning the information shared in the financial statements regarding the valuation of the Council's share of Strathclyde Pension Fund (SPF).

Whilst commenting on the assessment of the wider scope audit responsibilities referred to in the draft Annual Audit Report, such as on financial responsibility and financial management, Mr Jones highlighted that financial sustainability had been rated as red going forward in recognition of the risks, uncertainties and challenges faced by the Council as medium term financial plans were made by it, and confirmed that the wider scope audit responsibilities would be kept under review in terms of future audit work. He also referred to the Internal Audit Annual Report and capacity within the Internal Audit section. Key messages regarding Best Value were referred to briefly, given that the findings of a Best Value thematic review were to be discussed later in the meeting (Item 601 refers).

Finally, having summarised issues covered in the appendices to the draft Annual Audit Report, Mr Jones, supported by Councillor Morrison, thanked the Head of Accountancy (Chief Financial Officer) and the Chief Accountant and her team for their support during the audit, referring to the challenges of completing the 2022/23 audit given the appointment of the new External Auditors. Councillor Morrison also thanked the External Audit team.

In response to various questions, further clarification and comments were made. In the first instance the Chief Accountant undertook to provide further clarification on expenditure of the unspent COVID grants. The Director of Business Operations and Partnerships confirmed that reports had been submitted to the Cabinet regarding the ongoing impact of COVID-19, including the findings of wider humanitarian research on the impact of the pandemic on local communities. She cited the example of the need for increased support to address the needs of pupils transitioning from primary to secondary schools, as community learning and development work on this had been curtailed during lockdown and the lack of this had resulted in increased levels of anti-social behaviour amongst young people which had implications for the Council and a range of its community planning partners.

The Head of Accountancy (Chief Financial Officer) explained that the number of Council leavers receiving exit packages could vary widely each year, with the high number in 2022/23 compared to 2021/22 reflecting the outcome of various service reviews and restructures to help address the financial challenges the Council faced. She also clarified that such payments made reflected not only the grade of the posts concerned, but also the age of the relevant employees and their years of service.

She further advised that she would liaise with the Integration Joint Board Chief Financial Officer to provide clarification regarding a query raised regarding the reduction in gross income in 2022/23 within the Health and Social Care Partnership (HSCP) for provision of services compared to 2021/22, stating that she was aware of restrictions on HSCP services for which charges could be levied.

On a further issue, the Director of Business Operations and Partnerships confirmed that the Council car number plate, HS0, which was currently valued at approximately £126,000, remained on sale with a view to finding a suitable buyer which could take some time. It was confirmed that the External Auditor was comfortable with management's rationale for the current valuation.

Regarding the pension adjustments to the Accounts, Mr Jones confirmed that the current trend in the valuation of assets and liabilities was reflected across all pension funds, particularly local government pension schemes. He confirmed that in recent years asset valuations had been increasing at the same time as the discount rates applied to liabilities has also been increasing, leading to the funds being in an asset position this year.

Regarding various recommendations made by the Council's previous auditors as specified in Appendix H to the draft Annual Audit Report which were currently partially complete, Mr Jones confirmed that follow up work on implementation would be done, adding that some of the issues were longer term ones, such as regarding the financial challenges faced by the Council. Progress would be monitored until actions were completed or included in other recommendations. It was anticipated that a number of matters on which additional audit work had been required for 2022/23 could be resolved, helping to avoid additional audit fees in future.

The Committee agreed:-

- (a) to note that the Chief Accountant would provide further clarification on when the unspent COVID grants would be spent;
- (b) to note that the Head of Accountancy (Chief Financial Officer) would provide further clarification on why Council income, as shown in the Comprehensive Income and Expenditure Statement within the 2022/23 Accounts, had substantially reduced in relation to the Health and Social Care Partnership (HSCP);

- (c) to note the draft Annual Audit Report to the Council and Controller of Audit 2022/23;
- (b) to note the content of the Council's Annual Accounts for 2022/23 and related comments made; and
- (e) remit the report to the Council for consideration.

### **INTERIM TREASURY MANAGEMENT REPORT 2023/24 – QUARTER 1**

**596.** Under reference to the Minute of the meeting of 10 August 2023 (Page 580, Item 529 refers), when it had been agreed to note the Treasury Management Annual Report for 2022/23 and associated comments, and recommend to the Council that the organisations specified in the 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 three months of 2023/24.

The report explained that, in line with the CIPFA Code of Practice on Treasury Management, the Committee was responsible for ensuring effective inspection of the Council's treasury management activities. In accordance with that requirement, the interim Treasury Management Report for April to June 2023 was attached to the report for consideration.

Whilst highlighting key aspects of the report, the Chief Accountant confirmed that long term borrowing was fairly static, with no long term borrowing having been taken due to the high levels of rates currently offered. The Council continued to adopt a prudent approach to treasury management and, in particular, the percentage of loans held as at 30 June 2023 that had variable interest rates was just over 7% which was well below the Council's approved upper limit of 15%.

Having commented on short term investments which had reduced due to cash flows in both capital and revenue, she highlighted the prudential indicators referred to in the report which helped confirm that capital investment plans and treasury management decisions remained affordable, prudent and sustainable, highlighting that 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 it had not changed from the one in the 2022/23 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.

The Committee agreed:-

- (a) to **recommend to the Council** that the organisations for investment of surplus funds be approved in accordance with Appendix 8 to the report; and
- (b) otherwise, to note the report and related comments made.

### **NATIONAL FRAUD INITIATIVE – UPDATE**

**597.** Under reference to the Minute of the meeting of 29 September 2022 (Page 206, Item 149 refers), when a report on the National Fraud Initiative (NFI) in Scotland had been noted, the Committee considered a report by the Director of Business Operations and Partnerships

providing an update on the NFI in Scotland and related work carried out by the Council in 2022/23.

The report explained that Audit Scotland, working closely with public bodies, External Auditors and the Cabinet Office, had completed another major data sharing and matching exercise (the NFI) to help detect and prevent fraud, making a significant contribution to the security and transparency of public sector finances by confirming that services were being provided to the correct people and by reducing fraud and error. It was clarified that these exercises were undertaken every two years, were linked to the statutory audits of the participating bodies, and that related work was highlighted in the following item on the agenda.

Having summarised the aims of the NFI counter-fraud exercise and keys to its success, the report confirmed that the Council had a single point of contact for the NFI and a well-established internal network of departmental contacts who were responsible for comparing their own data sets, and subsequent recovery and follow up action. Mitigating potential fraud was a matter for each service area.

Reference was made to the 2,810 potential matches within the Council reported through the 2022/23 NFI exercise and how related work was progressed. The decrease in matches of 216 compared to the previous exercise was due to reductions in Accounts Payable (Creditors) and Council Tax reduction being offset by increases in Housing and Payroll, with reference also made to the more robust control environment associated with the new Integra Finance and Procurement ICT system.

Having made reference to outcomes from errors investigated, the report provided further information on related initiatives with which the Council was involved, referred to the next steps, and highlighted the extent to which follow up work was done in partnership with various teams. It was concluded that the Council had a robust and effective approach to NFI, which was complemented by existing fraud prevention measures.

Having heard the Senior Revenues Manager highlight key aspects of the report, Councillor Morrison welcomed that over £147k had been recovered through the NFI exercise.

The Committee noted the action taken in respect of the National Fraud Initiative in East Renfrewshire Council for 2022/23.

## **MANAGING THE RISK OF FRAUD AND CORRUPTION – FRAUD RESPONSE STATEMENT 2022/23 (INCLUDING AUDIT SCOTLAND FRAUD AND IRREGULARITY REPORT 2022/23)**

**598.** Under reference to the Minute of the meeting of 29 September 2022 (Page 208, Page 150 refers), when a report on the Council's Fraud Response Statement 2021/22 had been noted, the Committee considered a report by the Chief Executive regarding the Council's Fraud Response Statement 2022/23, providing an overview of measures in place across the Council to address anti-fraud, bribery and theft, and referring to the management of the risk of fraud and corruption. The report also provided an update on action taken during 2022/23 where appropriate, and commented on the Council's response to the Audit Scotland *Fraud and Irregularity Annual Report 2022/23*.

The report highlighted the authority's commitment to fighting fraud and bribery, acknowledged increased financial pressures on businesses and employees due to COVID-19 and more recently the cost of living which potentially heightened the risk of fraud being attempted, and explained that the Council followed the Chartered Institute of Public Finance & Accountancy

(CIPFA) Code on “managing the risk of fraud and corruption”, referring to its five key principles. It was clarified that the Corporate Management Team had approved a revised Anti-Fraud, Bribery and Theft Strategy in December 2022 which aimed to promote a zero tolerance attitude to fraud, and that in line with the Code a Fraud Statement was considered annually.

Having referred to the purpose of the Audit Scotland *Irregularity Annual Report 2022/23*, it was confirmed that related recommendations had been considered in relation to practices within the Council to try proactively to identify potential weaknesses and ensure appropriate measures had been taken or were in place. Thereafter, the report referred to various measures in place to address anti-fraud, bribery and theft, and commented on reporting and potential fraud, including information brought to the Committee’s attention and the Council’s effective approach to the NFI. It was confirmed that in the event of a potential fraud or concern being identified, as appropriate, this was escalated through senior management, Internal Audit and Police Scotland.

The Chief Executive’s Business Manager highlighted key aspects of the report, including in relation to the NFI, following which Provost Montague and Councillor Morrison commended the work being done within the Council and with partners to reduce the risk of fraud and corruption.

The Committee noted the content of the Fraud Response Statement and work being undertaken across the Council in relation to managing the risk of fraud and corruption; and feedback provided in the context of comments made in the Audit Scotland report *Fraud and Irregularities 2023/24*.

## **STRATEGIC RISK REGISTER AND RISK MANAGEMENT PROGRESS – BIENNIAL REPORT**

**599.** Under reference to the Minute of the meeting of 30 March 2023 (Page 454, Item 387 refers), when the position on the Strategic Risk Register (SRR) and progress with risk management across the Council had been noted, the Committee considered a report by the Chief Executive regarding the most recent biennial update of the register and general progress on risk management.

The SRR, a copy of which was appended to the report, itemised key strategic risks that required to be considered and associated actions put in place to manage these. Having referred to related operational risk registers in place, the report confirmed that several strategic risks had been amended to include additional control measures and rescored for significance, clarifying that a thorough review of all the strategic risks had been undertaken by the Corporate Management Team (CMT). In total there were now 36 strategic risks, 11 of which had been evaluated as high risk and 25 as medium. Risks evaluated as low had been removed from the SRR and would be monitored within departmental or operational registers as appropriate. Relevant significant risks, which could impact on achieving the Council’s outcomes regarding the work of the Integration Joint Board (IJB) and the Culture and Leisure Trust, had been considered.

In addition to referring to risks added to the SRR, information was provided on risks that had been removed; risks that remained high; risks that had been rescored from high to medium or medium to high; and those where the level of risk remained unchanged but where the risk descriptions had been amended to reflect the current position or provide further clarity. It was confirmed that although reports on the SRR were submitted to the Committee every six months and the Cabinet annually, the register was considered to be a live document and updated continually.



Other issues referred to included the Council's risk appetite regarding which the Committee was to consider its view on reputational risk later in the meeting, progress on risk more generally, and a high level overview of issues, which were under consideration but had not yet resulted in a risk being added to the SRR.

Having heard the Chief Executive's Business Manager comment further on various aspects of the report, in response to Councillor Morrison, the Head of Accountancy (Chief Financial Officer) explained that due to increased pressure on maintenance budgets in recent years and the age profile of buildings within the Council's portfolio, many of which were schools, it had been decided that this issue should be added to the SRR, to take account of any unexpected maintenance requirements in future years which could have an impact on learning and teaching.

The Committee agreed:-

- (a) that feedback be provided to appropriate senior officers on comments made at the meeting on the SRR for consideration; and
- (b) to note the development of the SRR; that it was considered to be a live document; and that it would be updated and amended by the Corporate Management Team.

## **REVIEW OF COUNCIL'S RISK APPETITE IN RELATION TO REPUTATIONAL RISK**

**600.** Under reference to the Minute of meeting of the Cabinet of 23 February 2023 (Page 400, Item 334 refers), when it had been agreed that the Committee be invited to review the Council's risk appetite in relation to reputational risk, the Committee considered a report by the Chief Executive referring to the current level of risk appetite on various issues as contained in the Risk Management Strategy 2023-2025, and seeking confirmation if the level of risk appetite assigned to reputational risk was still considered appropriate or should be revised.

It was clarified that the Council's approach to date had been to minimise exposure to reputational, compliance and financial risk where statutory requirements and regulations required to be met, whilst accepting and encouraging an increased degree of risk on other issues. However, given the ongoing challenging financial circumstances faced, the need to meet climate change obligations and other additional statutory or operational requirements, it was considered inevitable that difficult decisions required to be made. The Committee was asked to consider its views on whether or not the risk appetite for reputational risk continued to be reflective of the risks required to deliver outcomes which were important to local residents and businesses.

Having heard the Chief Executive's Business Manager confirm what the Committee was being asked to consider, Councillor Morrison referred to comments made by some Elected Members at a previous meeting of the Committee indicating that the current risk appetite for reputational risk should be increased from one to somewhere in the range of one to two. Councillor Macdonald confirmed that he did not have any further comments to make to those he had made previously on the issue, following which Councillor Morrison indicated that the Council's financial position was now somewhat clearer, that savings required to be made, and that a further contextual issue to consider was the potential Council Tax reform under consideration which would impact on approximately 57% of households. It was argued that these issues were bound to impact on the Council's reputation and proposed therefore that the level of appetite assigned to reputational risk be increased to two.

It was agreed to **recommend to the Cabinet** that the level of risk appetite assigned to “Reputational Risk” by the Council be increased from one to two.

## **LOCAL EXTERNAL AUDIT REPORT – BEST VALUE THEMATIC REPORT – YEAR ENDED 31 MARCH 2023 - LEADERSHIP OF THE DEVELOPMENT OF NEW LOCAL STRATEGIC PRIORITIES**

**601.** The Committee considered a Best Value Thematic Report by the Local External Auditor on Leadership of the Development of New Local Strategic Priorities for the year ended 31 March 2023.

The report explained that, under the Code of Audit Practice June 2021, External Auditors were tasked with performing an annual programme of work in relation to Best Value and wider scope responsibilities, including reviews based on annual thematic Best Value topics prescribed by the Accounts Commission.

For 2022/23, the Commission had directed auditors to report on the effectiveness of the Council’s leadership of the development of its strategic priorities following the local government elections in May 2022. Key conclusions were provided against 5 questions posed by the Commission, namely how clear the new Council’s vision was and its priorities; how effectively the views of citizens and communities had been reflected in the priorities and decisions taken by the Council; how effectively the Council’s priorities reflected the need to reduce inequalities and address climate change; how good delivery plans were and if there was alignment of financial, workforce, asset and digital plans within the Council’s priorities; and how effective the leadership had been in setting clear priorities and a sustainable approach to delivering them.

Three recommendations had been given in relation to the Council’s plans to deliver Net Zero; plans to agree multi-year budgets; and a need to re-embed self-evaluation processes within service planning arrangements.

Whilst commenting on the report, Ms Scanlin highlighted the change of approach being taken by the Commission to Best Value, the last Best Value Assurance Report for the Council having been issued in 2017. Instead the External Audit Team would develop its knowledge of the Council’s Best Value approach through its wider scope audit work and responding to a thematic theme review set by the Commission each year.

She highlighted the broad range of issues referred to in the current report, including the focus placed both on the life of the current Administration and beyond; how priorities took account of the views of key partners, stakeholders and communities; and how equalities, community empowerment and climate change were reflected in strategic priorities and other plans aligned with those. Reference had been included to the development of the Council’s Vision for the Future and related issues and plans. Having highlighted the recommendations made, she referred to areas of good practice highlighted to the Commission on how the Council’s digital transformation programme had incorporated co-design with communities for services, and on the Council’s investment in data analysis to help target interventions.

Having confirmed that the next theme to be reviewed, which would have a narrower focus, would be workforce planning, Ms Scanlin thanked all those involved in providing support during the review, particularly the Director of Business Operations and Partnerships, the Head of Communities and Transformation and their teams.

Having heard Councillor Morrison refer to a small typographical error in Appendix A to the report, Ms Scanlin confirmed that this would be corrected following which the report would be sent to Audit Scotland which, it was understood, would produce a larger report in due course

drawing on the findings across Scotland. Mr Jones explained that at some point in the next five years a report would be prepared on the Council for submission to the Accounts Commission, the exact format and timeline for which remained to be confirmed.

It was agreed to note the report and the related recommendations and Action Plan.

## **INTERNAL AUDIT ANNUAL REPORT 2022/23**

**602.** The Committee considered a report by the Chief Auditor regarding the annual report on the activities of internal audit during 2022/23, 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 2022/23.

Whilst commenting on the report and implementation of the 2022/23 Plan, the Chief Auditor explained that some audits in the plan had not been completed due to reduced staff resources within the section, with priority given to audits which gave most assurance that internal controls continued to operate satisfactorily. The Chief Auditor reported that 26 reports had been issued relating to the 2022/23 Plan, satisfactory responses having been received for all. She quantified the initial and final number of audit days available to implement the Plan.

Having referred to updates provided quarterly to the Committee and various Internal Audit reports circulated in full to the Committee's membership, the Chief Auditor commented on one recommendation within one report which had not been fully accepted by management and related reasons provided which had been accepted. Amongst other things, she highlighted reference in Appendix 3 to the medium and high risk recommendations made in the recent report on the new Council House Build audit, which would normally have been referred to in the quarterly progress reports but could not be due to timing. This audit had also been referenced in the Assurance Statement.

The Chief Auditor summarised the position on various potential fraud and contingency matters and related issues, highlighting that the bulk of time used had focussed on national insurance anomalies and the external wall insulation contract, both of which had been referred to in progress reports submitted to the Committee. She referred to and cited examples of issues that had impacted on Performance Indicators for the section, clarified the extent to which the section operated almost fully in compliance with Public Sector Internal Auditor Standards (PSIAS), and confirmed that a further external assessment was currently underway regarding PSIAS, the results of which would be presented to a future meeting of the Committee, possibly in November, and would also be referred to in the 2023/24 Annual Report.

Regarding the annual statement on the adequacy and effectiveness of the Council's governance, risk management and internal controls, it was 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 2023, except for instances of non-compliance with contract standing orders that were noted in two separate audits during the year on new Council House Builds and the External Wall Insulation contracts. She also referred to ongoing concerns on the accuracy of calculations within the payroll system which continued to be investigated but indicated they were very unlikely to be material to the Council's year end Accounts.

In conclusion, she referred to management support to implement recommendations made, related follow-up work that would be done by Internal Audit, and the good working relationship that existed with the External Audit team with which information was shared whenever possible.

Councillor Morrison, supported by other members of the Committee, thanked and commended the Chief Auditor for what had been achieved by the section including to enable assurances to be given, particularly given the vacancies within her section and related challenges faced, which were shared with other authorities regarding recruitment of professional staff and referred to in the Workforce Action Plan. In response to questions and related comments made, she updated the Committee on steps being taken to try to fill the vacancies, confirming the proportion of vacant posts relative to the number of full time equivalent posts in Internal Audit. Councillor Buchanan acknowledged the work done by various officers on the range of reports under consideration by the Committee at the meeting.

Councillor Macdonald expressed hope that adequate budgetary provision was available to ensure the salaries offered for posts in the section were competitive and incentivised individuals to apply, especially given that the situation on vacancies in the section had been ongoing for a considerable time. Whilst commenting on professional vacancies that needed to be filled both in Internal Audit and otherwise, the Chief Executive acknowledged the related challenges faced but highlighted the need to adhere to pay grades determined through the job evaluation scheme. However, he also referred to opportunities for the Council to compete in other ways, such as by reaching high quality potential applicants in new ways such as through using social media and Linked-in, and options to train and develop employees internally. He also commented on the value of providing an attractive and good working environment, all of which could contribute to the Council becoming an employer of choice. He added that this was an issue he had asked the HR and Organisational Development sections to consider, and highlighted the number of professional people living within a short distance of the Council.

Councillor Edlin referred to the pressures on those working in Internal Audit, and possibly other sections, which could have a potential and unacceptable impact on their health. He supported professional development of employees to fast track them towards promotion, but highlighted associated challenges in the current financial climate. The Chief Executive concurred with the comments made, referring also to the importance of employees enjoying work.

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 2022-23 and associated comments made.

CHAIR