

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

**Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 28 March 2024.**

**Present:**

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

Provost Mary Montague \*  
Councillor Gordon Wallace

Councillor Morrison in the Chair

(\* ) indicates remote attendance

**Attending:**

Steven Quinn, Chief Executive; Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Michelle Blair, Chief Auditor; Barbara Clark, Chief Accountant; Anthony Jenkins, Resilience Coordinator; Linda Hutchison, Clerk to the Committee; and Lesleyann Burns, Assistant Democratic Services Officer.

**Also Attending:**

Grace Scanlin, Ernst and Young.

**Apologies:**

Councillors Paul Edlin and Annette Ireland.

**DECLARATIONS OF INTEREST**

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

**CHAIR'S REPORT**

**795.** Under reference to the Minute of the meeting of 22 February 2024 (Page 765, Item 750 refers), when reference had been made to an absence management related meeting to be held between representatives of the Committee and the Head of HR and Corporate Services and HR Manager, Councillor Morrison confirmed that Councillors Wallace, Ireland and himself had attended the meeting on 25 March at which measures that management were taking to redress the current absence situation had been discussed. He confirmed that in addition to measures referred to in the absence management report the Committee had considered in January 2024, such as the appointment of the Health and Wellbeing Officer, a

revised and easier to follow staff sickness management policy and additional training for managers, other relevant matters had been discussed.

The Committee noted that, further to the discussions on 25 March, it was now intended that the 2023/24 Absence Management Annual Report would be submitted to the Committee earlier than usual to allow it to consider absence management issues again.

#### **INTERIM TREASURY MANAGEMENT REPORT 2023/24 – QUARTER 4**

**796.** Under reference to the Minute of the meeting of 18 January 2024 (Page 726, Item 705 refers), when it had been agreed to note the Interim Treasury Management Report for Quarter 3 of 2023/24 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 fourth Quarter 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 which the interim Treasury Management Report for Quarter 4 of 2023/24 was provided for consideration.

Whilst highlighting key aspects of the report, the Chief Accountant confirmed that long term borrowing had reduced slightly due to a small repayment, with none 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 with variable interest rates held in the first eleven months of the financial year was just over 7% and well below the Council's approved upper limit for this of 15%.

Having commented on short term investments which had decreased due to cash flows in both capital and revenue, the Chief Accountant 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, and that the Council was operating well within its limits.

Finally, she commented on the Council's list of counterparties which had not changed from the one for Quarter 3, and 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.

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

**797.** Under reference to the Minute of the meeting of 26 September 2023 (Page 645, Item 600 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 outlining the review conducted to rationalise risks within it.

The report referred to the Council's approach to risk management, and confirmed that the SRR appended to the report itemised key strategic risks considered and actions identified to manage these. Since a report on the SRR had last been considered by the Committee, the Corporate Management Team (CMT) had led a significant review, further details of which were provided. It had included benchmarking the Council's approach with that of other local authorities, and considering the volume of risks and relationship between Council risk registers. The outcome was that there were now 15 risks on the SRR, 9 being recognised as high risk and 6 as medium risk. A summary of the changes made to the SRR, which included rewording these and their controls to ensure they were succinct and easy to understand, was also appended to the report.

It was clarified further that a number of risks previously documented on the SRR had been placed in appropriate departmental or project risk registers, and that as part of the regular CMT review of the SRR, Directors and the Chief Executive would discuss emerging and priority risks and changes required to the document. Departments and key projects were still expected to maintain appropriate risk registers capturing day-to-day or project specific risks, documentation of which would support the CMT's regular consideration of the SRR when potential escalations to the SRR would be considered as would emerging risks or concerns and opportunities or threats they presented. Other issues commented on included the Council's risk appetite, and progress on risk more generally, including an ongoing review of related training to identify opportunities to help ensure employees had sufficient knowledge and skills to carry out their roles under the Council's Risk Management Framework and Risk Management Strategy.

The Resilience Coordinator highlighted key aspects of the report, including on the approach taken to the review of the SRR, and how it was intended that the Register would act as the vehicle to highlight the greatest risks facing the Council. He confirmed that the most recent new risk added to the SRR in March 2024 reflected that a UK General Election could be called at short notice, and that the review of risk management training available and offered to employees would be coordinated through the CMT.

In response to questions, the Resilience Coordinator clarified that medium risks with a score below eight were considered to be better reflected on department, service or project risk registers. He added that risks that had been unchanged or were considered unlikely to change within twelve months would be considered in depth regularly, that there would be clear justification for risks remaining on the SRR, and that those included on any other public facing registers such as the one for the Integration Joint Board had been removed to reduce duplication and strengthen version control. The Chief Executive emphasised that the CMT and others has spent significant time on the in-depth review to ensure that the most appropriate approach to various risks was taken, confirming that departments would be asked to highlight their top risks moving forward which would be escalated to the SRR if appropriate. In response to further questions, he clarified that further description could be added to future reports on why risks were added to or removed from the SRR. Councillor Morrison commented that it would also be useful to review the format in which the change log was presented.

Having heard Councillor Buchanan welcome the outcome of the review and approach taken, the Chief Executive emphasised the importance of providing appropriate risk management training for officers, acknowledged the importance of a line of sight between different risk registers, and expressed confidence that the review had strengthened the approach taken to risk management. Councillor Wallace, supported by Councillor Morrison, welcomed the emphasis being placed on this and suggested it would be valuable for the Committee to receive a presentation at a future meeting on how the SRR was used in practice, such as by managers, which the Chief Executive stated he would be happy to arrange. It was noted that this could be included in the Committee's Work Plan for the year ahead.

Responding to Councillor Morrison, the Chief Executive confirmed that the need for the ongoing review of social care eligibility thresholds under the Supporting People Framework Action Plan to mitigate various risks had been discussed. He referred to forthcoming discussions arranged on resourcing care plans, the significant level of need for such plans, and the importance of reviewing them timeously not only to make further improvements to the approach taken but also because care needs could change over time.

The Committee agreed:-

- (a) that further description be added to future reports on why risks were being added to or removed from the Strategic Risk Register to complement the information already provided on this and that the format of the presentation of the change log to the Committee be reviewed;
- (b) that a presentation be made to a future meeting on how the Strategic Risk Register was used in practice, such as by managers, reference to which would be included in the Committee's proposed Work Plan for the year ahead;
- (c) that feedback be provided to appropriate senior officers on comments made at the meeting on the Strategic Risk Register for consideration; and
- (d) otherwise, to note the development of the Strategic Risk Register; that it was considered to be a live document; and that it would be updated and amended by the Corporate Management Team.

## **EAST RENFREWSHIRE COUNCIL – PROVISIONAL ANNUAL AUDIT PLAN FOR YEAR ENDED 31 MARCH 2024**

**798.** The Committee considered a report by the External Auditor regarding the provisional Annual Audit Plan for the year ended 31 March 2024, which referred to the purpose of the Plan, the scope of and responsibilities associated with it, and related issues.

Whilst commenting on the financial statements audit, the report made reference to issues on which an opinion would be offered, such as if the statements gave a true and fair view in accordance with applicable law and the 2023/24 Code of Accounting Practice. It was clarified that the audit would include a review on the consistency of the other information prepared and published along with the financial statements; and determine with reasonable confidence whether the financial statements were free from material misstatement. With regard to the latter, reference was made to performance and planning materiality levels set, and the reporting threshold level established above which the External Auditor would report misstatements to the Committee. It was clarified that Best Value considerations would be integrated with wider scope annual audit work.

A summary was provided regarding three significant risks impacting on the audit of the financial statements, these being the risks of fraud in revenue and expenditure; of misstatement due to fraud and error; and in relation to the valuation of property, plant and equipment. Information was also provided on three inherent risks impacting on the audit of these statements which related to the valuation of pension assets and liabilities, the valuation of Private Finance Initiative (PFI)/Public Private Partnership (PPP) liabilities, and the implementation of International Financial Reporting Standard (IFRS) 16.

Amongst other things, the report highlighted areas of audit focus in relation to Best Value and the wider scope audit dimensions, making reference to financial sustainability in terms of the development of sustainable and achievable medium term financial plans; and a Best Value Thematic Review that would focus on workforce innovation.

Other issues commented on were key developments in the sector within which local authorities operated to inform the audit approach taken, which included the position on local government finances, the Scottish budget and Verity House Agreement. Further details were provided on the approach to be taken and assessment of risks regarding the financial statements, and the Best Value and Wider Scope audit work to be progressed. Required communications and the related timescales for these, and the 2023/24 audit fees and related issues, were amongst other issues commented on.

Ms Scanlin commented on key aspects of the Plan in advance of the approval of the financial statements later in the year, referring to the executive summary and more detailed information provided. Amongst other things, she highlighted the position on materiality assessment, including the reporting threshold set for reporting misstatements to the Committee which was now set at 5% of planning materiality. Other issues commented on included the new arrangements being made, in light of the publication of Audit Scotland guidance, to appoint external trustees to the Council's charitable trusts to remove the previous audit requirement; the inherent risk relating to the valuation of PFI/PPP liabilities representing significant balances in the Council's financial statements; the implementation of IFRS 16 through which assets being used by the authority under operating leases were likely to be capitalised along with an associated lease liability; and the focus to be placed on workforce innovation in terms of Best Value. Finally, Ms Scanlin referred to efforts to be made to minimise audit fees, and confirmed that audit work would include follow up work on the implementation of prior year audit recommendations.

In response to questions, Ms Scanlin confirmed, regarding the threshold above which the External Auditor would report misstatements to the Committee, that some issues may be reported below that level if a legitimate interest was expressed in an issue by the Committee or another. She also clarified that the sector cap for fees would be confirmed in the final Audit Plan and the position on related issues, commented that some developments under the Verity House Agreement, such as regarding multi-year budget setting, had not been implemented as expected, and clarified that the Best Value related work on workforce planning would focus on the deployment of digital technology and related transformation. The Head of Accountancy (Chief Financial Officer) clarified how audit work on the Council's charitable trusts would be carried out in future with assistance from Internal Audit. The Chief Auditor clarified that provision made for contingency work in the Internal Strategic Plan would be used to carry out the work involved.

The Committee noted the provisional Annual Audit Plan for year ending 31 March 2023 and timetable for the publication of related documents, including the Annual Audit Report for 2023/24.

## **INTERNAL AUDIT STRATEGIC PLAN 2024/25 – 2028/29**

**799.** The Committee considered a report by the Chief Auditor on the Internal Audit Strategic Plan for 2024/25 to 2028/20, which included the proposed Annual Audit Plan for 2024/25 and reference to the indicative number of days to be spent in the following four years based on the risk assessed audit universe which lists all potential audits.

Having summarised the role of Internal Audit and clarified that the function operated in accordance with the revised Public Sector Internal Audit Standards (PSIAS) and within the context of the Internal Audit Charter, 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 the consultation process and risk assessment used to prepare the Plan sometimes resulted in new audits being added to the audit universe or being rescheduled for review in a different year, such as the contract and supplier management audit. Similarly,

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some audits had been deleted from the universe, such as if they were no longer applicable, had low risk assessments or had been merged with other audits, such as in relation to parks and other outdoor income.

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 only 7 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 one vacant post being filled in the first quarter of 2024/25, which had been assumed when calculating the number of audit days available, but would be kept under review.

In line with good practice, the Plan would be reviewed on a regular basis throughout the year and could be adjusted in response to changes in audit resources or the Council's business, risks, systems and controls. Any such changes would be drawn to the Committee's attention as part of the quarterly reporting mechanism already in place.

The Chief Auditor provided further clarification on how the Plan was formulated from the audit universe, during which she confirmed that on the basis of consultation and known changes, one topic had been added and several topics had been removed because they were now considered low risk.

In response to questions, the Chief Auditor confirmed that the three Council Tax related audits to be progressed during the lifetime of the five year plan would cover changes approved by the Cabinet, such as relating to second home discounts, and clarified what the main focus of the housing allocation and homeless person accommodation audit would be.

The Committee agreed to approve the Internal Audit Strategic Plan for 2024/25 to 2028/29.

CHAIR