

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 19 January 2023.

Present:

Councillor Andrew Morrison (Chair)	Councillor David Macdonald (*)
Councillor Tony Buchanan (Vice Chair)	Provost Mary Montague (*)
Councillor Annette Ireland	Councillor Gordon Wallace (*)

Councillor Morrison in the Chair

(*) indicates remote attendance

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Michelle Blair, Chief Auditor; Gill Darbyshire, Chief Executive's Business Manager; Linda Hutchison, Clerk to the Committee; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Rob Jones, Ernst and Young.

Apology:

Councillor Paul Edlin.

DECLARATIONS OF INTEREST

285. There were no declarations of interest intimated.

CHAIR'S REPORT

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

(i) Meeting Between Chair and External Audit

Under reference to the Minute of the meeting of 10 November (Page 294, Item 228 refers), when it had been noted that the Chair was scheduled to meet with the new External Auditor, the Chair confirmed that at that meeting which had taken place on 1 December, the work of the committee since he had become Chair had been discussed. He commended the professionalism and expertise of the new External Audit Team.

(ii) Contacting Internal Audit

Having referred to various discussions at the committee on Internal Audit related matters over the preceding months, the Chair reminded Members that, despite the time constraints on the Internal Audit service due to unfilled vacancies within it, this should not dissuade them from contacting the section if there were issues it was considered useful to raise, as already highlighted by the Chief Auditor herself on various previous occasions. The Chair confirmed that there was time earmarked in the Internal Audit Plan for the section to deal with issues on an ad hoc basis using contingency time if required, and that he knew those in the section would be happy to discuss any issues members had both at formal meetings and otherwise.

The committee noted the report.

REVISED RISK MANAGEMENT STRATEGY 2023-25 AND RISK MANAGEMENT FRAMEWORK 2023-25

287. The committee considered a report by the Chief Executive highlighting that, as part of its corporate governance arrangements, the Council required to have effective systems in place to manage risks.

The report explained that the revised Risk Management Strategy 2023 – 2025 and associated Risk Management Framework covering the same time frame, copies of which were appended to the report as Appendices 1 and 2 respectively, enabled the Council to deliver advanced risk practice by setting out its long-term aims on incorporating risk within service plans and everyday working, and encouraging the use of joint risk registers where possible for projects and partnerships. The Risk Management Strategy set out a number of objectives as part of a long-term commitment, was an inherent part of good management and governance principles, and had been revised to ensure the approach adopted to risk management within the Council continued to meet its needs. Having commented on issues associated with risk appetite, the report explained that the Council's approach to date had been to minimise its exposure to reputational, compliance and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of innovation and improved outcomes. It was recognised that its appetite for risk varied according to the activity undertaken, that acceptance of risk was subject to ensuring that potential benefits and risks were fully understood before developments were authorised, and that there was a need to have appropriate measures established to mitigate risk. Clarification was provided on the Council's current appetite for risk across its activities.

It was confirmed that the associated Risk Management Framework developed set out in detail the Council's approach to risk management and would support implementation of the Strategy in practical terms for anyone undertaking this work, regardless of the area in which they worked across the Council.

The Chief Executive's Business Manager referred to key aspects of the report during which she confirmed that the Strategy was based on supporting the Council's five capabilities. She explained that there had been plans to update it previously, but that this work had been delayed due to COVID and other associated priorities. It was confirmed that the Strategy was considerably shorter than the previous version, in a large part due to a decision taken to move a range on information within it previously to the Framework, and that the risk appetite information in the Strategy was the same as in the previous version.

On a related issue, she confirmed that Members had been invited to attend Risk Management training on 9 March.

In response to Councillor Ireland, the Chief Executive's Business Manager undertook to seek further clarification from the Environment Department on the approach being taken regarding the Climate Change Impact Assessment and Strategy, including on whether or not there were any plans for a climate change risk and impact assessment to be developed for East Renfrewshire, to enable feedback on this to be provided. Also in response to Councillor Ireland, the Head of Accountancy (Chief Financial Officer) explained that the most prudent target was to keep the level of the Non-Earmarked General Fund Reserve at 4% of annual budgeted net revenue expenditure, the minimum level considered acceptable to provide some flexibility around 2%.

In response to Councillor Morrison, the Head of Accountancy (Chief Financial Officer) commented on the Council's current appetite for risk across its activities during which she provided examples of issues on which no level of risk was considered tolerable, and those where some tolerance was regarded appropriate. Councillor Wallace suggested that it would be useful if future such reports included examples of typical risks to help illustrate the Council's appetite for risk across various types of issues. Councillor Macdonald expressed the view that the levels of appetite for risk documented were not fully accurate in some respects, referring for example to some of the financial challenges facing the Council and related decisions being taken which could cause reputational damage.

The committee agreed:-

- (a) that feedback be provided to appropriate senior officers on the comments made at the meeting on the revised Risk Management Strategy and Risk Management Framework;
- (b) that further clarification be sought from the Environment Department on the approach being taken regarding the Climate Change Impact Assessment and Strategy, including if there were any plans for a climate change risk and impact assessment to be developed for East Renfrewshire, to enable feedback on this to be provided;
- (c) that it would be useful if future reports on the Risk Management Strategy and Framework included examples of typical risks to help illustrate the Council's appetite for these across various types of issues; and
- (d) otherwise, **to recommend to the Cabinet** that the Revised Risk Management Strategy 2023 – 2025 and associated Framework be approved.

AUDIT AND SCRUTINY COMMITTEE WORKPLAN 2022/23

288. Under reference to the Minute of the meeting of 23 June 2022 (Page 65, Item 43 refers), when the committee had approved its 2022/23 Annual Work Plan to the extent it had been developed, and noted that an update on implementation would be submitted to a future meeting, the committee considered a report by the Clerk providing an update on progress made.

The report explained that the 2022/23 plan was a live document, development of which continued throughout the year, and included reference to recurring reports considered every year, such as on treasury management, Internal Audit work and risk management. An updated version of the 2022/23 plan was attached as Appendix 1 to the report, referring to progress thus far on various issues and related matters, including the position on national and local external audit reports which had been or were to be published during the current financial year, to the extent the position on this was known.

The committee, having heard the Clerk highlight key aspects of the report:-

- (a) agreed that development and implementation of the 2022/23 Work Plan continue, and that a further report on performance against it be submitted to a future meeting; and
- (b) otherwise, noted performance against the 2022/23 Annual Work Plan thus far.

CHAIR