

MINUTE
of
AUDIT and SCRUTINY COMMITTEE

Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 30 March 2023.

Present:

Councillor Andrew Morrison (Chair)	Councillor David Macdonald (*)
Councillor Tony Buchanan (Vice-Chair)	Provost Mary Montague
Councillor Paul Edlin	Councillor Gordon Wallace

Councillor Morrison in the Chair

(*) indicates remote attendance

Attending:

Louise Pringle, Director of Business Operations and Partnerships; Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; Gill Darbyshire, Chief Executive's Business Manager; Kath McCormack, HR Manager; Linda Hutchison, Clerk to the Committee; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Rob Jones and Grace Scanlin, Ernst and Young.

Apology:

Councillor Annette Ireland.

DECLARATIONS OF INTEREST

385. There were no declarations of interest intimated.

CHAIR'S REPORT

386. Under reference to the Minute of the meeting of 23 February (Page 405, Item 339(i) refers), when it had been noted that a short training, familiarisation and development session was being arranged between members of the Committee and the External Auditor, Councillor Morrison reported that this useful session had taken place earlier in the day, and highlighted that topics covered included CIPFA guidance on the role of audit committees, audit priorities for 2023 and proposed legislative requirements for fraud risk management. On behalf of the Committee, he thanked the External Auditor for the session at which constructive dialogue had taken place, and indicated that further such sessions would be welcomed in future.

The Committee noted the report.

STRATEGIC RISK REGISTER AND RISK MANAGEMENT PROGRESS

387. Under reference to the Minute of the meeting of 29 September 2022 (Page 209, Item 151 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 biannual 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 37 strategic risks, 11 of which had been evaluated as high risk and 26 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; risk scores 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 revised Risk Management Strategy 2023-26, considered earlier in the year, risk management training recently delivered to elected Members, 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 Director of Business Operations and Partnerships provided an update on discussions and work underway to ensure services, such as telecare services, which supported vulnerable residents, would not be disrupted when analogue telephone lines were disconnected as part of Ofcom's retirement of analogue telephone networks by the end of 2025. Having outlined progress thus far and the next phases of work, she referred to a related Working Group established, and indicated that the level of risk currently attributed to this issue was unlikely to reduce for some time until there was confidence that all relevant issues, including any unanticipated ones that could emerge, had been addressed. Examples of various analogue related phone services for which new arrangements had to be put in place were provided.

Referring to the covering report under consideration, Provost Montague suggested that it would be helpful to include the number of the relevant sub-paragraph, as well as the main risk number of various items, when they were referred to. Councillor Wallace commended the Chief Executive's Business Manager on the format of the report, particularly the clear way the rewording of various risks was presented.

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 CMT.

WOMEN'S HEALTH RELATED MATTERS

388. Under reference to the Minute of the meeting of 29 September 2022 (Page 205, Item 148 refers), when it had been agreed that the HR Manager would make a presentation to a future meeting on women's health related matters, Councillor Morrison welcomed her to the meeting for this item.

The HR Manager provided an overview of the support provided for employees in the Council, placing a focus on Women's health and wellbeing, but highlighting that the range available benefited all employees regardless of their gender. Having itemised the top three reasons for absence across the full workforce, she clarified how the rank order of these differed slightly for males and females, citing examples of factors that impacted on this. Whilst providing statistical information on the gender identification split and average age of the Council's workforce, she clarified when perimenopause and menopause generally commenced, and reported that in 2021/22 pregnancy related and gynaecological related absences had been ranked 17th and 18th respectively out of 35 reasons for absence.

Referring to the wide range of support available to employees, the HR Manager confirmed that this included policies on areas such as menopause and domestic violence which had either been, or were in the process of being, implemented. She highlighted the Council's commitment to the Miscarriage Association's Pregnancy Loss Charter and that the Council considered pregnancy loss as bereavement, confirming that if this occurred after 24 weeks maternity leave applied and that it was acknowledged that this circumstance was extremely challenging for all those affected by it, including partners of those experiencing such loss. She clarified the terms of the related policy on bereavement leave.

It was explained that a further area of focus was working with Women's Aid to pilot on-line training for employees, including on gender equality, sexual violence and domestic abuse. Other issues referred to in support of health and well-being included a specific strategy on this, in relation to which a staff survey was to be conducted in April and May 2023. The HR Manager referred to other support available to employees such as on occupational health, employee assistance and financial wellbeing. She also itemised various initiatives to which the Council was accredited, which included carer positive and living wage accreditation.

Having welcomed the information provided and indicated the intention to review it further, Provost Montague sought clarification if perimenopause and menopause applied only to women. The HR Manager confirmed it could apply to anyone affected by these, including individuals who transitioned gender. Provost Montague referred to its impact on biological females, expressing hope that the term women would not be replaced by gender neutral ones when an issue definitely related to females.

In response to Councillor Wallace and Councillor Morrison, the HR Manager confirmed that, to the best of her knowledge, the gender balance of the Council's workforce had remained fairly consistent for a long time and similar to that in other authorities. Having cited examples of posts which had tended to be held more by females, she confirmed that the Council continually reviewed its recruitment policies and processes to help promote vacancies to all genders.

In response to Councillor Edlin, she confirmed that the annual managing absence report submitted to the Committee included statistics and information on a range of absence issues, including absence rates linked to emergence from COVID-19, short-term absence, and initiatives aimed at addressing absenteeism.

The Committee noted the presentation and related comments made.

NATIONAL EXTERNAL AUDIT REPORT – TACKLING CHILD POVERTY

389. The Committee considered a report by the Clerk on the publication by Audit Scotland of a briefing report entitled *Tackling Child Poverty* published in September 2022, regarding which, under the Committee's specialisation arrangements, Councillor Buchanan was leading the review of this report. The Director of Business Operations and Partnerships had been asked to provide comments and a copy of her feedback was appended to the report.

High level comments were provided on the Council's position on issues raised in the Audit Scotland report, including on each of the report's recommendations, with clarification provided that a fuller update on child poverty was being prepared for consideration by the full Council in June when a report on the Local Child Poverty Action Plan (LCPAP) would be submitted. The comments provided included reference to the Scottish Government's second child poverty delivery plan *Best Start, Bright Futures*; the Council's strategic aims to address child poverty; information sharing partnerships and network related issues; and information on data, evidence and context.

Appended to the report was information on key planned activities in East Renfrewshire as part of the Council's FAIRER initiative and LCPAP. Other issues referred to included proposals approved on a range of initiatives by the Cabinet in October 2022 using the COVID reserve, many of which had a direct link to child poverty, such as supporting the *Back to School Bank Charity*. A further update on the reserve was to be provided to the Cabinet, including new expenditure proposals.

The report concluded that through the Child Poverty Oversight Group and LCPAP, East Renfrewshire Council, the Health and Social Care Partnership (HSCP) and other partners were committed to tackling the increasing challenge of child poverty. While East Renfrewshire had the lowest rate of child poverty in Scotland, there was a keen awareness of the gap between the area's most affluent families and most vulnerable ones. The potential for the area's poverty profile to change over time was acknowledged, with concerns remaining on the impact of the cost of living on people and the outlook on future public sector finances which made it increasingly hard to deliver commitments to prevention and early intervention. Meantime, the Council and its partners were working closely together, making best use of the resources available, and doing some innovative work on data to inform and drive future strategic planning.

Councillor Buchanan welcomed the report, the action being taken on child poverty and related progress. Whilst commenting on the wish to reduce child poverty further, he highlighted related challenges linked to the cost of living and fuel poverty for example, which could lead to the current position changing further. The Director of Business Operations and Partnerships referred to a range of on-going work to tackle child poverty, which including innovative work with the Chief Officer, HSCP and Director of Education to reduce the cost of the school day on which analysis was being done, the intention being to refer to this work in the report being submitted to the Council in June. She stressed the importance of examining and understanding related data, such as on spending to identify patterns, highlighting the importance of continuing to monitor where poverty was encountered and related developments.

In response to Councillor Morrison, the Director Business Operations and Partnerships reported that it was difficult to know the full and exact impact of the £4.4m announced from the humanitarian package from the Local Authority COVID Economic Recovery Fund. She clarified that, as part of the work being done to submit further COVID reserve proposals to the Cabinet, the impact of funds already allocated would be assessed, confirming that the report under consideration by the Committee cited examples of work supported by such funding thus far. She added that many of these measures had had a short-term focus, such as to extend family bridging payments until March 2023, with funding sustainability remaining an issue. Informal feedback from some families who had received financial support reflected it had made a significant difference to them.

Councillor Macdonald, supported by Councillor Wallace, expressed concern that the Council had missed out on levelling up funding and also on the related adjudication of proposals, highlighting levels of poverty in some parts of East Renfrewshire, related hardship and the importance of targeting resources. In response to Councillor Morrison, the Director of Business Operations and Partnerships commented on community and related participatory budgeting issues including capacity building, related officer training, development work on projects which could be proposed when funding became available, and related challenges.

Whilst welcoming progress made and that discussions on child poverty were progressing locally and nationally, Provost Montague referred to such hardship in various local areas, but highlighted also, supported by Councillor Macdonald, that some families could struggle in more affluent areas. Commenting further, she referred to the importance of listening to what children themselves were saying about their experiences of poverty, and also of making available a summary of the support and resources available to help alleviate it. The Director of Business Operations and Partnerships undertook to relay comments made during the discussion to the Child Poverty Oversight Group, following which Councillor Buchanan cited examples of good and successful partnership working with children, such as through the Champions Board. He also welcomed the contributions the Money Advice and Rights Team and Citizens Advice Bureau were making to supporting people; highlighted the value of participatory budgeting and sharing best practice; and stressed the importance of continuing to make progress on addressing child poverty, including through schools accessing all possible sources of funding.

The Committee noted:-

- (a) that feedback on comments made at the meeting would be provided to the Child Poverty Oversight Group; and
- (b) otherwise, the report and related comments made.

EAST RENFREWSHIRE COUNCIL – PROVISIONAL ANNUAL AUDIT PLAN FOR YEAR ENDED 31 MARCH 2023

390. The Committee considered a report by the External Auditor regarding the provisional Annual Audit Plan for the year ended 31 March 2023, 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 2022/23 Code of Audit 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 errors to the Committee.

A summary was provided regarding four 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; in relation to the valuation of property, plant and equipment; and in relation to the valuation of PPP/PFI liabilities. Information was also provided on two inherent risks impacting on the audit of these statements which related to opening balances and the valuation of pension assets and liabilities.

Amongst other things, the report highlighted areas of audit focus in relation to the wider scope dimensions, making reference to financial sustainability; cybersecurity in terms of vision, leadership and governance; and climate change reporting in terms of the use of resources. In addition, as part of revised Best Value arrangements, the Accounts Commission had asked External Auditors to consider the thematic review of leadership and strategic priorities as part of their Best Value considerations. This work would focus on the clarity of the Council's vision and priorities; how effectively community views had been reflected; the alignment of financial, workforce, asset and digital plans; and how strategic priorities reflected the need to reduce inequalities and address climate change.

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 publication of the National Care Service Bill, the Scottish Government budget, and financial flexibilities for local government. Required communications and the related timescales for these, and the 2022/23 audit fees and related issues, were amongst other issues referred to.

Mr Jones 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. He highlighted the sector context which had impacted on audit planning; the significant risks referred to within the Plan to be considered; and the new International Standard on Auditing (ISA) 315 which focussed on assessing the risk of material misstatement and required significant additional audit work to be done on financial systems and other systems which could impact on the financial statements. Whilst highlighting further issues, Mr Jones confirmed that control issues and findings identified, if any, would be reported to the committee in due course; the audit materiality applied to the audit of the financial statements and the related thresholds and reporting levels set; where a lower level of materiality was applied on the testing of remuneration disclosures and related party transactions which required to be disclosed in the financial statements; and where there were considered to be higher inherent audit risks, such as on the risk of fraud in revenue and expenditure recognition and misstatement due to fraud and error which were regarded as presumed audit risks.

In the first year of the new External Auditor's appointment, there was a specific requirement to consider opening balances as well as year-end procedures, work on which was well underway. Mr Jones also referred to work on the Council's share of its involvement in the local government pension assets and liabilities, related actuarial judgements, and disclosures in the financial statements around going concerns in the context of the financial challenges facing the Council. Finally he specified the wider scope audit dimensions that would be considered and which, in addition to the aforementioned work, would be factored into the assessment of the Council's arrangements to secure Best Value, and the work to be done on vision, leadership and governance.

In response to Councillor Morrison, Mr Jones confirmed the practical implications of the introduction of ISA 315, referring to the extension of the auditors' responsibilities and work that would be done to gain a greater understanding of systems controls in place. Also in response to Councillor Morrison, he commented on the potential impact of Get to Zero targets on the depreciation of some assets, such as vehicles, confirming that changes to their useful lifespan, related risks and the period of time until they became obsolete were examples of issues that would be considered.

The Chief Accountant reported that the Director of Environment was intending to submit a report to the Cabinet during the forthcoming months on a policy on moving fleet in relation to Get to Zero; and that it was anticipated that the replacement of vehicles with electric ones would dovetail with the 5-year rolling provision for these in the Capital Programme. Councillor Wallace referred to other issues that would be impacted in terms of Get to Zero.

In response to Councillor Edlin, Mr Jones explained how Ernst and Young had been appointed as External Auditor to the Council for a period of 5 years, how the associated fee for the audit work to be done was determined, and the approximate number of hours of work involved. He confirmed that external firms were appointed to do such work in Scotland to complement Audit Scotland's own audit capacity to ensure there was sufficient capacity in the public sector as a whole.

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 2022/23.

INTERNAL AUDIT STRATEGIC PLAN 2023/24 – 2027/28

391. The Committee considered a report by the Chief Auditor on the Internal Audit Strategic Plan for 2023/24 to 2027/28, which included the proposed Annual Audit Plan for 2023/24. It was clarified that the Internal Audit function operated in accordance with Public Sector Internal Audit Standards (PSIAS).

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 removed or rescheduled for review in a different year, such as the payroll application audit. Similarly, 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 the Pupil Equity Fund.

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 40 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 two vacant posts being filled by the end of the first quarter of 2023/24, 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 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, some topics had been merged within the audit universe and, similarly, several topics had been removed from it. She highlighted that some items in the Plan did not necessarily result in a report being issued to management, such as when grant certification work was done, and that as appropriate reports prepared were submitted to the Trust or IJB.

It was confirmed that 100 days had been set for contingency, and explained why it was difficult to estimate how much provision for this would be needed.

In response to questions, the Chief Auditor confirmed that she considered the number of days allocated for work on the City Deal sufficient, and what grant certification work involved. In response to Councillor Wallace, she commented that when audit work had been done on COVID grants to businesses, it had been determined that the Environment Department which had led this work had complied with the government guidance provided on this, which was all that could be checked through the audit. During related discussion, in further response to him regarding the extent to which the government guidance provided on COVID business grants had enabled sufficient scrutiny to be undertaken on applications in the interests of addressing potential fraud, Councillor Morrison suggested it could be helpful to recirculate a report considered by the Committee on COVID-19 issues in 2022 in which some information on this had been provided.

The Committee:-

- (a) agreed to approve the Internal Audit Strategic Plan for 2023/24 to 2027/28; and
- (b) noted, in response to issues raised at the meeting on COVID-19 grants, that the Clerk would recirculate information on this that had been provided to the Committee previously.

CHAIR