

**AUDIT AND SCRUTINY COMMITTEE ANNUAL REPORT 2019/20**

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**1. SUMMARY**

- 1.1 The purpose of this report is to provide the Chair of the Audit and Scrutiny Committee's (the Committee) annual overview of the Committee's activity during the financial year 2019/20 and a summary of key developments since the commencement of 2020/21. It sets out how the Committee has fulfilled its remit and provides assurances to the Council.

**2. RECOMMENDATIONS**

- 2.1 Review and endorse the Chair's Annual Report.
- 2.2 Agree that the Chair presents the report to a future meeting of the Council at a date to be confirmed.

**3. DETAILS**

- 3.1 It is important that the Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance for the Council. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition which incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police. This sets out CIPFA's view of the role and functions of an Audit Committee. The CIPFA Audit Committees Guidance includes the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council.

**4. CONCLUSION**

- 4.1 The Audit and Scrutiny Committee Annual Report 2019/20, which is appended to this report as Appendix 1, provides assurance to full Council over the activity of the Committee

**5. IMPLICATIONS**

- |       |                       |      |
|-------|-----------------------|------|
| 5.1   | Policy:               | None |
| 5.2   | Financial:            | None |
| 5.3   | Legal:                | None |
| 5.4   | HR:                   | None |
| 5.5   | Fairer Scotland Duty: | None |
| 5.5.1 | Equalities:           | None |
| 5.5.2 | Socio-Economic Duty:  | None |

5.5.3	Islands Duty:	None
5.6	Risk:	None
5.7	Customer Service:	None

For further information please contact Internal Audit (01436 657694)

**Laurence Slavin**  
**Chief Internal Auditor**  
**22 September 2020**

**Appendices:**

- 1. Audit and Scrutiny Committee Chair Annual Report 2019/20**

## **Appendix 1 - Audit and Scrutiny Committee Chair Annual Report 2019/20**

### **Introduction by the Chair of Audit and Scrutiny Committee**

This report provides an overview of the Audit and Scrutiny Committee's (the Committee) activity during the financial year 2019/20 and a summary of key developments since the commencement of 2020/21.

In 2019/20 the Committee met quarterly with the following as appointed members:

Martin Caldwell (Chair)	George Freeman	Richard Trail
Sandy Taylor (Vice Chair)	Sir Jamie McGrigor	Andrew Vennard
Jim Findlay	Alan Reid	

Committee meetings were also attended by appropriate representatives of the Council including the Head of Financial Services and the Chief Internal Auditor (CIA). Audit Scotland also attend as do other Council Officers as and when appropriate including the Chief Executive and the Head of Customer Support Services who attends regularly to advise the Committee on issues relating to performance management.

In January 2020 the CIA, at the request of the Chief Executive, has been acting up as the Head of Financial Services on a shared basis with the Council's Finance Manager and the Council's Revenues and Benefits Manager. I am satisfied that appropriate arrangements were put in place to split the role in such a manner that, in conjunction with other appropriate arrangements, the CIA and the Internal Audit team, operated throughout 2019/20 with no impairments or restrictions in scope or independence.

In looking forward to 2020/21 and beyond, the Council will need to continue to respond to the medium to longer term effects of the COVID-19 pandemic on both the Council itself but also the wider Argyll and Bute community.

2019/20 also saw the completion of the Council's Best Value review and I am pleased to see it was an overall positive report and also that the Council is taking action to address the key areas for improvement highlighted in the report. The Committee look to scrutinise progress against the Council's agreed BV action plan at an appropriate time.

**Martin Caldwell - Chairperson**

**Sandy Taylor - Vice Chairperson**

**22 September 2020**

## **1. Audit and Scrutiny Committee's Effectiveness and Impact**

- 1.1 The Committee's role is to ensure that the Council's internal control framework and governance arrangements are operating effectively. In order to fulfil this role a range of reports are provided to the Committee during the year. I am satisfied that the frequency, content and detail of reports provided to the Committee allow myself and fellow members to adequately fulfil this role.
- 1.2 In March 2019 both Audit Scotland and Internal Audit presented their annual audit plans setting out their respective approaches to the 2019/20 audit of the Council, reflecting their statutory duties and risk based approach. The audit plans were considered by the Committee and accepted.
- 1.3 During 2019/20 the CIA has continued to develop our approach to audit and scrutiny. Particular developments in the past 12 months which have furthered the effectiveness of both Internal Audit and the Committee are:
- introduced an annual strategic risk assurance mapping exercise
  - incorporated external audit's recommendations into the follow-up process
  - changed from a monthly to a quarterly follow up process to better prioritise resources
  - implemented local benchmarking indicators with five other local authorities
  - ongoing engagement with Committee members on our approach to scrutiny.

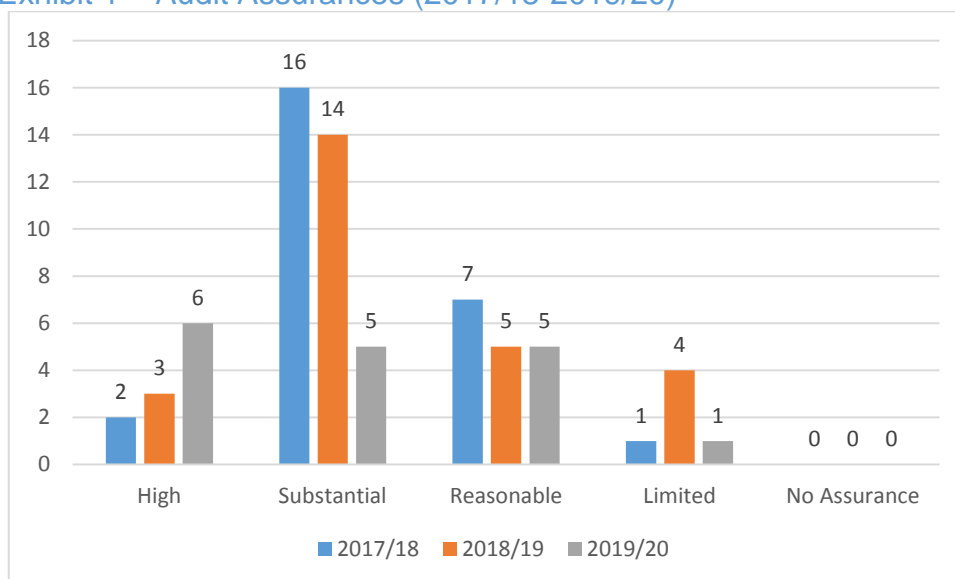
## **2. Assurances**

### **Internal Audit Assurance**

- 2.1 Internal Audit is a key source of assurance for both members and management on the effectiveness of the control environment. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance. The COVID-19 pandemic meant the 2019/20 audit plan could not be completed in its entirety due to a need to redeploy audit resource to priority tasks required to support the Council's response to the pandemic. However I am content that appropriate action has been taken to revise the 2020/21 audit plan to accommodate the impact of this redeployment and I am content with the assurance provided by the CIA that sufficient work has been undertaken to allow him to provide an opinion on the Council's systems of governance and internal control. Throughout the year, in my opinion, clear assurance judgements are provided, underpinned by an appropriate evidence base and, where appropriate, include sound management advice and guidance.
- 2.2 The Committee has received regular reports and information from the CIA including:
- risk based internal audit annual plan
  - regular progress reports
  - annual report, in line with PSIAS, which provided the CIA's independent annual opinion on the effectiveness of the Council's risk management, internal control and governance processes.
- 2.3 Exhibit 1 shows an analysis of assurance opinions provided by internal audit in the three year period 2017/18 – 2019/20. It is encouraging to see an

increase in the number of audits classified as providing a high level of assurance in 2019/20 and that only one was classified as being limited. The limited assurance report focused on management of the Pupil Equity Fund. For this and all other audit reports, management have accepted 100% of audit recommendations and action plans have been agreed with a robust follow-up system in place with progress presented to the SMT on a quarterly basis and to the Committee as a standard agenda item.

Exhibit 1 – Audit Assurances (2017/18-2019/20)



- 2.4 The Committee has a clear role in relation to oversight of the internal audit function; specifically in relation to overseeing its independence, objectivity, performance and professionalism. I am pleased to advise, as Chair of the Committee, that I am satisfied that internal audit is effective and activity is undertaken in accordance with relevant standards.

### External Audit Assurance

- 2.5 External Audit is an essential part of the process of accountability and assurance for public funds, providing an independent opinion on the financial statements, and reviewing aspects of governance and financial management. Working closely with Internal Audit, the external audit programme ensures that statutory responsibilities are delivered, without the duplication of audit work. The Council's external auditors are Audit Scotland.
- 2.6 Due to the impact of COVID-19 the audit of the Council's financial statements was still ongoing at the time I wrote this report and the Council was still to receive its 2019/20 annual audit report. Consequently this reduces the assurance we can take at the current time from external audit's work however the Council were subject to a Best Value review in 2019/20 which highlighted good progress made by the Council since the last inspection in 2015, specifically the significantly improved relationships amongst elected members and between members and officers, the Council's sound approach to financial planning. It also identified areas for the Council to focus its continued improvement upon, such as performance management, more significant transformation and redesign of services and better engage staff in planning and implementing change. I am pleased that the Council has responded positively to these messages and have agreed an action plan to help address the issues highlighted.

### **3. Risk Management**

- 3.1 It is the role of the Committee to gain assurance on the adequacy of the Council's risk management arrangements. In January 2020 the Committee considered a risk management audit presented by the CIA which confirmed that a high level assurance could be taken over the Council's risk management arrangements.
- 3.2 Furthermore the CIA now performs an annual strategic risk register assurance mapping exercise which enables the Committee to assess the levels of assurance it can take over the activity undertaken by the Council to manage its strategic risks. This is complemented by the Chief Executive presenting the Strategic Risk Register to the Committee on an annual basis to allow the Committee to further scrutinise the approaches being taken to manage risk.

### **4. Independence**

- 4.1 To assist in preserving the Committee's independence measures are in place including:
- the appointment of an independent chair
  - observation of the Internal Audit Charter which specifies the independence of the CIA and the wider audit team
  - the non-political approach of the committee
  - the active involvement of the external auditors
  - clear terms of reference aligned to CIPFA's Role of the Audit Committee Guidance

### **5. Scrutiny**

- 5.1 During 2019/20 the Committee has continued to develop its approach to Scrutiny including consideration of a lessons learned report in March 2020 which highlighted a number of areas for improvement and development both in terms of process learning for the Committee members and administrative learning points for the internal audit team. The report was discussed at the formal March meeting of the Committee but also in a development session prior to that meeting which provided for a good opportunity for debate.
- 5.2 As with the audit work the delivery of scrutiny work was put on hold during the Council's response to the COVID-19 however I am pleased to say that it has restarted and we are looking to further develop our approach to scrutiny as the process matures.
- 5.3 Our scrutiny panels have developed their approach to review work with a renewed emphasis on seeking clearer evidence behind published programme and policy positions. Members are also sharing insights in teleconference and telephone discussions which are sharpening our focus in subsequent panel sessions. We will maintain our search for continuous improvement to review work.

### **6. Looking Forward**

- 6.1 The Committee will continue to implement and further develop the Council's scrutiny approach including exploring implementing the lessons discussed at the March 2020 meeting of the Committee and further exploring different approaches to carrying out scrutiny.

- 6.2 This focus on continuous improvement is equally applicable to the audit element of the Committee and we will continue to work with the CIA and, where appropriate, our colleagues in Audit Scotland, to identify opportunities to further develop the skillset and expertise of both the Committee and the internal audit department to facilitate effective challenge and scrutiny.
- 6.3 In September the Council's new counter fraud team will be launched and we look forward to seeing how it develops and the results it can deliver during its two year pilot.

## **7. Conclusion**

- 7.1 Based on the reports received and reviewed by the Committee they are in agreement with the CIA's annual audit report which confirms that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in 2019/20. I am satisfied that active monitoring and follow up of recommendations is in place in respect of agreed management action. This follow up process is further enhanced by the continuous monitoring programme carried out by internal audit which provides ongoing assurance over the Council's core transactional based systems.