

**AUDIT AND SCRUTINY COMMITTEE ANNUAL REPORT 2020/21**

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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 2020/21 and a summary of key developments since the commencement of 2021/22. 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.

**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 2020/21, which is appended to this report as Appendix 1, provides assurance to full Council over the activity of the Committee

**5. IMPLICATIONS**

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|-------|-----------------------|------|
| 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 (01546 604146)

**Moira Weatherstone**  
**Interim Chief Internal Auditor**  
**25 November 2021**

**Appendices:**

**1. Audit and Scrutiny Committee Chair Annual Report 2020/21**

## **Appendix 1 - Audit and Scrutiny Committee Chair Annual Report 2020/21**

### **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 2020/21 and a summary of key developments since the commencement of 2021/22.

In 2020/21 the Committee met quarterly online 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 Chief Internal Auditor (CIA) both in his substantive post and also in his capacity acting up on a 50% basis as the Interim Head of Financial Services. 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.

Since 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 2020/21 with no impairments or restrictions in scope or independence. As of June 2021 the CIA has taken up the post of Interim Head of Financial Services on a 100% basis until September 2022 with Moira Weatherstone taking on the CIA role on an interim basis.

At the end of March 2021 Councillor Sandy Taylor stepped down from the Committee. I would like to express my appreciation for his support and commitment to the Committee in his role as Vice Chair since December 2017. I would also like to wish Sandy all the very best in the future.

In looking forward to 2021/22 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.

**Martin Caldwell - Chairperson**

**14 September 2021**

## **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 2020 both Audit Scotland and Internal Audit presented their annual audit plans setting out their respective approaches to the 2020/21 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 2020/21 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:
- The establishment of a Counter Fraud Team in September 2020 for a trial two year period.
  - Continued development of the approach to Scrutiny including consideration of a lessons learned report in March 2020.
  - The CIA engaged with members of the Committee as part of the planning process for the 2020/21 audit plan.
  - Rotating the performance of Internal Audit's self-assessment against compliance with PSIAS within the team to ensure it was looked at with a 'fresh pair of eyes'. The self-assessment identified a number of areas of good practice as well as some areas for improvement.

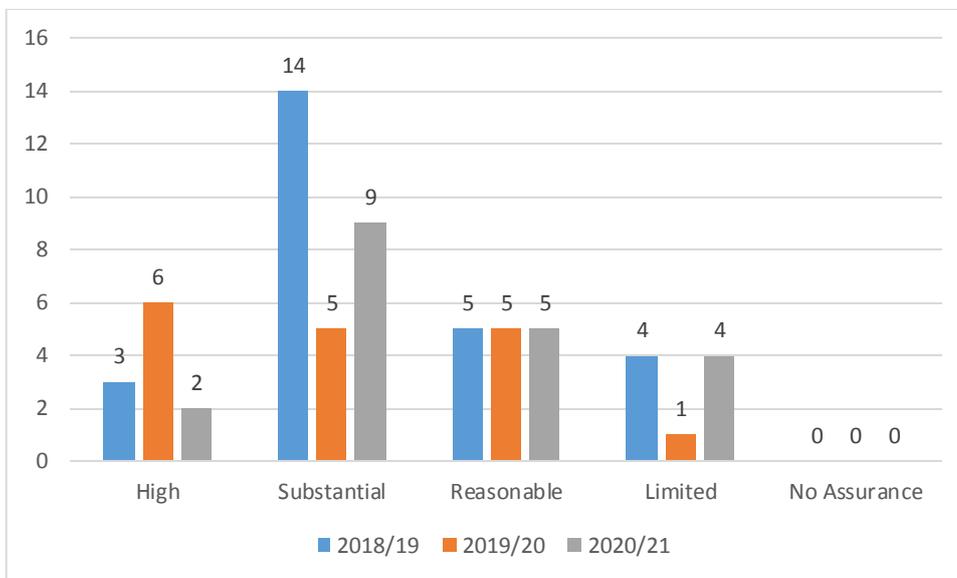
## **2. Assurances**

### **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 2020/21 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 2018/19 – 2020/21. There has been a decrease in the number of audits classified as providing a high level of assurance in 2020/21, with an increase in the number of audits classified as providing a substantial level of assurance. There was four classified as being limited. The limited assurance reports focused on Legionella Management, Disaster Recovery Planning, Warden Services and School Funds. 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 (2018/19-2020/21)



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 The audit of the Council’s financial statements is still ongoing at the time I wrote this report and the Council is still to receive its 2020/21 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 community engagement, 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. It is also worth highlighting that Audit Scotland attend all meetings of the Committee and provide written and verbal updates on progress against their audit and any emerging audit issues. This helps provide the Committee with ongoing assurance.

### **3. Risk Management**

- 3.1 The CIA 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 2020/21 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 Committee members and administrative learning points for the internal audit team.
- 5.2 The March 2020 Lessons Learned report reflected on ongoing discussions that have been held during Committees about alternative ways the Committee could perform scrutiny that would complement the current Scrutiny Panel approach. For example by inviting council officers to brief the Committees on topics of specific interest. This is an approach that has been adopted with the Chief Executive briefing the Committee on the Council's Best Value Review on 22 September 2020 and a further briefing on progress against the Best Value Action Plan at the March 2021 Committee.
- 5.3 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 it has restarted and we recently completed our review of the Council's Economic Strategy and have commenced a review focused on the Council's Community Asset Transfer process.
- 5.4 Our scrutiny panels, like most other Council, work has adapted to new ways

of working as a consequence of COVID with members, Council officers and external experts sharing insights virtually.

## **6. Counter Fraud Team (CFT)**

- 6.1 In December 2019 the Strategic Management Team approved the formation of a CFT for a trial two year period from 1 April 2020 with an annual fraud report to be provided to inform a future decision on whether the CFT should become a permanent part of the Council's establishment. The establishment of the CFT was delayed by the COVID pandemic with the Team Leader and Lead Investigator not appointed until September and October 2020 respectively. The CFT is now fully operational with both officers having completed the CIPFA (Chartered Institute of Public Finance and Accountancy) Accredited Counter Fraud Specialist Course meaning they are fully accredited counter fraud investigators. This is a welcome development and further strengthens the Council's commitment to protecting the public purse.

## **7. Looking Forward**

- 7.1 In 2021/22 Councillor Sandy Taylor stepped down as Vice Chair of the Committee and I look forward to working with our new Vice Chair, Councillor Jim Lynch.
- 7.2 A scrutiny development session was held in April 2021 which considered an update on the Council's Waste Strategy, future scrutiny topics and amendments to the scrutiny process going forward. As a Committee we will continue to implement and further develop our scrutiny approach to reflect the changes agreed at the April 2021 meeting and we will further explore different approaches to carrying out scrutiny.
- 7.3 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.
- 7.4 The Council submitted a tender bid for the provision of audit services to the HSCP and were awarded the contract for a period of three years commencing 1 April 2021. A formal service level agreement was signed on 28 January 2021 to reflect the new contract.
- 7.5 Laurence Slavin has taken up a role as Interim Head of Financial Services until September 2022 and I would like to thank him for his work within the Internal Audit team and his support to the Committee. Moira Weatherstone has agreed to perform the role of CIA, with responsibility for Internal Audit and Scrutiny, for an interim period on a 50% basis with Laurence Slavin maintaining responsibility for the CFT.
- 7.6 We will continue to develop and progress further the role of the CFT, providing regular updates and reports to the Committee.

## **8. Conclusion**

- 8.1 Based on the reports received and reviewed by the Committee, I am 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 2020/21. 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.