

AUDIT AND SCRUTINY COMMITTEE ANNUAL REPORT 2021/22

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 2021/22 and a summary of key developments since the commencement of 2022/23. 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 2021/22, 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 604108)

Paul Macaskill
Chief Internal Auditor
25 November 2022

Appendices:

1. Audit and Scrutiny Committee Chair Annual Report 2021/22

Appendix 1 - Audit and Scrutiny Committee Chair Annual Report 2021/22

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 2021/22 and a summary of key developments since the commencement of 2022/23.

In 2021/22 the Committee met quarterly online with the following as appointed members:

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

Committee meetings were also attended by appropriate representatives of the Council including the Interim 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 June 2021 an Interim Chief Internal Auditor was appointed, Moira Weatherstone, due to the CIA taking up the post of Interim Head of Financial Services on a 100% basis until leaving the Council and the post of CIA subsequently becoming vacant. I am satisfied that appropriate arrangements were put in place to support and cover the role of CIA until the interim arrangement ceased in June 2022 when a permanent Chief Internal Auditor was appointed and took up this role on the 4 July 2022. I would like to thank Moira Weatherstone for managing the Internal Audit service and supporting the Committee during this period. I would also like to record my appreciation to Laurence Slavin the former CIA who took up post with West Dunbartonshire Council and wish him every success in his new role.

In 2022, saw the term of Councillor appointments come to an end and local elections held in May 2022. Firstly, I would like to sincerely thank all those Members of the Committee who served during this period and the valuable contribution which they have made to the governance of the Council. Secondly, to welcome the new Members of the Audit and Scrutiny Committee since their appointment in May 2022.

In looking forward to 2022/23 and beyond, the Council will need to continue to balance the demands of the community it serves in the backdrop of challenging financial times and also taking cognisance of the longer term effects of the COVID-19 pandemic on both the Council itself but also the wider Argyll and Bute community. Needless to say the Council stepped up to challenges of the pandemic and responded well.

Martin Caldwell - Chairperson

15 September 2022

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 2021 both Audit Scotland and Internal Audit presented their annual audit plans setting out their respective approach to the 2021/22 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 2021/22 the CIA has continued to develop our approach to audit and scrutiny. Particular developments 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. This trial has subsequently proved so successful that this arrangement has now been made permanent.
 - The approach to Scrutiny is developing and two scrutiny reviews were undertaken in 2021/22 and arrangements are underway for identifying suitable topics in 2022/23.
 - The CIA engaged with members of the Committee as part of the planning process for the 2021/22 audit plan.
 - An external assessment has been scheduled for 2022 in terms of compliance with the Public Sector Internal Audit Standards (PSIAS) and a portfolio of evidence has been prepared.

2. Assurances

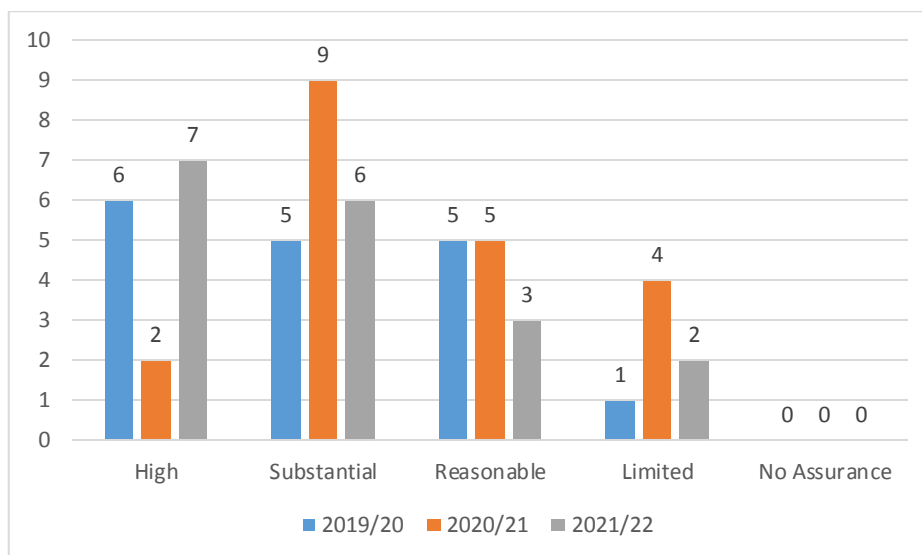
Internal Audit Assurance

- 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 2021/22 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 the amended plan has been substantially completed with only two reviews having to be removed from the original approved plan. I am content with the assurance provide by the Interim CIA that sufficient work has been undertaken to allow her 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 2019/20 – 2021/22. There has been an increase in the number of audits classified as providing a high level of assurance in 2021/22, with a decrease in the number of audits classified as providing a substantial level of assurance. There were only two classified as being limited. For these, 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 (2019/20-2021/22)



- 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 2021/22 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 and 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 engagement of 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 2021/22 the Committee undertook two scrutiny reviews, specifically, Community Asset Transfer and Fly-Tipping. These reports were presented to the Audit and Scrutiny Committee in June 2022 and also referred to the Area Committees for information purposes. These reports were well received by the Committee and widened the understanding of the complexities and challenges faced by both staff and the community in specific areas and where these reports will help allow continuous improvement as a Council.
- 5.2 The benefits of scrutiny are twofold; helping to understand what can often be multifaceted and procedurally complex issues due to legislation but also to help consider ways to improve and develop to make any processes more understandable and/or streamlined where that is at all possible.
- 5.3 Scrutiny work will continue and arrangements will be made for suitable topics/areas to consider in 2022/23.

6. Counter Fraud Team (CFT)

- 6.1 In December 2019 the Strategic Management Team (SMT) 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 had been initially delayed by the COVID pandemic

with the Team Leader and Lead Investigator not appointed until September and October 2020 respectively. The CFT has been fully operational since 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 was a welcome development and continues to further strengthen the Council's commitment to protecting the public purse.

- 6.2 During the period of the pilot, it was reported to the Audit and Scrutiny Committee in June 2022 that proactive and targeted work in this area has resulted in £693,416 (ending April 2022) being rebilled and that to date £590,364 (ending April 2022) has been recovered. The success of the pilot in both recovery but also in its deterrent effect sends a strong message that the Council will take all reasonable steps it can to identify error and fraud but also take appropriate action to recover monies that are due. Regular reports are presented to Committee each quarter in relation to the work of both Internal Audit and the Counter Fraud function.
- 6.3 In July 2022 the Executive Leadership Team (ELT) considered the pilot and the positive outcomes that have been achieved to date, together with much work across the Council area having yet to be undertaken and which I expect to be equally successful. It is pleasing to note that the arrangements for the pilot relating to Counter Fraud have been made permanent and this will assist the Council in demonstrating both its commitment to recovering sums of revenue due through error or fraud but also in the wider context of good governance.

7. Looking Forward

- 7.1 In 2022/23 as a result of local elections a new Committee was formed and I welcome back those previously serving on the Committee but also the new members who I am sure will contribute to the effectiveness of the Committee and also continue to look forward to working with our Vice Chair, Councillor Jim Lynch.
- 7.2 In 2022/23 the Committee will consider potential options/topics for scrutiny reviews and as a Committee we will continue to implement and further develop our scrutiny approach.
- 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 and the newly appointed External Auditors Mazars, 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 Counter Fraud Team will continue to focus their resources on specific concerns across the local authority area seeking to recover monies owed and due to the Council in accordance with its policies.
- 7.5 The Council continue to provide the 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. In 2022/23, a plan of audit coverage was agreed and presented to their Audit and Risk Committee.

- 7.6 Paul Macaskill has been appointed as the new CIA and welcome him to the Council in his new role and also in providing the Induction and Development Training session to the Committee in June 2022. I look forward and I am sure the Committee will also look forward to working with Paul and his team going forward.
- 7.7 We will continue to provide updates on progress of the CFT and reports will be presented to the Committee as part of the quarterly and annual reporting of the Internal Audit service.

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 2021/22. I am satisfied that active monitoring and follow up of recommendations are 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.