

Business Operations and Partnerships Department

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Date: 12 January 2024

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TO: Councillor Andrew Morrison (Chair), Tony Buchanan (Vice-Chair), Provost Mary Montague and Councillors Paul Edlin, Annette Ireland, David Macdonald and Gordon Wallace.

AUDIT AND SCRUTINY COMMITTEE

A meeting of the Audit and Scrutiny Committee will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, on **Thursday, 18 January 2024 at 2.00pm.**

The agenda of business is as listed below.

Yours faithfully

Louise Pringle

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DIRECTOR OF BUSINESS OPERATIONS & PARTNERSHIPS

AGENDA

1. **Report apologies for absence.**
2. **Declarations of interest.**
3. **Chair's Report.**
4. **Interim Treasury Management Report 2023/24 – Quarter 3 – Report by Head of Accountancy (Chief Financial Officer)(copy attached, pages 3 – 20).**
5. **Managing Absence – 2022/23 Annual Report – Report by Director of Business Operations and Partnerships (copy attached, pages 21 – 26).**
6. **Summary of Early Retirement/Redundancy Costs to 31 March 2023 – Report by Director of Business Operations and Partnerships (copy attached, pages 27 – 30).**

7. **National External Audit Report – Adult Mental Health in Scotland – Report by Clerk (copy attached, pages 31 – 38).**

8. **Public Sector Internal Audit Standards (PSIAS) Assessment – Report by Chief Auditor (copy attached, pages 39 – 58).**

For information on how to access the virtual meeting please email:-
[**linda.hutchison@eastrenfrewshire.gov.uk**](mailto:linda.hutchison@eastrenfrewshire.gov.uk)

A recording of the meeting will also be available following the meeting on the Council's YouTube Channel <https://www.youtube.com/user/eastrenfrewshire/videos>

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE18 JANUARY 2024Report by Head of Accountancy (Chief Financial Officer)INTERIM (QUARTER 3) TREASURY MANAGEMENT REPORT FOR 2023/24**PURPOSE OF REPORT**

1. To advise the Audit & Scrutiny Committee on the Treasury Management activities for the Quarter ending 31 December 2023.

RECOMMENDATION

2. It is recommended that the Committee: -
 - a) note the Interim Treasury Management Report for Quarter 3 2023/24; and
 - b) recommend to the Council that the attached organisations for investment of surplus funds be approved.

BACKGROUND

3. In line with the CIPFA Code of Practice on Treasury Management, the Audit & Scrutiny Committee is responsible for ensuring effective inspection of treasury management activities and this report is submitted in accordance with this requirement.

SUMMARY

4. Overall the report demonstrates a well-managed treasury function within the Council. The average interest rate on long-term borrowing has remained the same from that reported in November. The Council continues to adopt a prudent approach to treasury management and in particular the percentage of loans held as at 31 December 2023 that had variable interest rates was 7.17% which is well below the Council's approved upper limit of 15%. The resulting stability in borrowing assists the Council in responding to the current national economic pressures.

RECOMMENDATION

5. It is recommended that the Committee: -
 - a) note the Interim Treasury Management Report for Quarter 3 2023/24; and
 - b) recommend to the Council that the attached organisations for investment of surplus funds be approved.

REPORT AUTHOR

Head of Accountancy (Chief Financial Officer): Margaret McCrossan

Chief Accountant: Barbara Clark

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Report Date: 3 January 2024

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INTERIM TREASURY MANAGEMENT REPORT QUARTER 3 2023/24

Table 1

1. Actual External Debt

	Borrowing 30/09/23 £M	Average Interest %	Borrowing 31/12/23 £M	Average Interest %	Change in Qtr £M
<u>Long Term Borrowing</u>					
Public Works Loan Board	112.85	3.30	112.85	3.30	0.00
Local Authority Bonds	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Leases	73.50	7.18	73.50	7.18	0.00
Total Long Term	200.75	4.81	200.75	4.81	0.00
<u>Short Term Investments</u>					
Temporary Investments	(53.67)	5.17	(50.65)	5.42	3.02

NOTES

- (i) For the purposes of this report long-term borrowing means loans taken on a long-term basis. This differs from the Annual Accounts, which have to categorise long-term loans with less than a year until repayment as short-term loans. Loans above totalling £0.365 million come into this category.
- (ii) The Treasury Strategy approved by the Council on 1st March 2023, ratified external borrowing of £58m from the Public Works Loan Board to be undertaken. However at present no new borrowing has been undertaken due to a recommendation by the Head of Accountancy to defer long term borrowing, where possible, until the current high interest rates come down. There was no repayment of Long Term Borrowing during the quarter.
- (iii) The average interest rate on long-term borrowing has not changed from that reported previously.
- (iv) The Council's net external borrowing position has increased in total by £3.02 million during the quarter due to both revenue and capital cash flows.
- (v) The Council's activity in the temporary investments market is shown along with the corresponding interest rate movements in Appendices 2 – 5. In response to difficulties in the financial markets and as part of a risk managed process designed to protect the principal of the sums invested, during the course of the year the maximum period of investment was restricted to 6 months.
- (vi) At 31 December 2023, 7.17% of the total debt outstanding consisted of loans which had a variable rate of interest. For the Council to gain a high level of stability in overall borrowing costs, the Council's Treasury Policy Statement requires the exposure to variable rate loans to be less than 15% of the total debt outstanding.

- (vii) Appendix 6 shows the Bank of England MPC base rate covering the period April 2022 to the date of this report.

2. PWLB

The primary source of medium/long term borrowing is from the UK Government through the Public Works Loan Board (PWLB). The PWLB provides loans to local authorities at rates, which are in general more attractive than loans available from other sources.

3. DEBT MATURITY PROFILE

The Council's debt maturity profile at 31 December 2023 is shown both below and in Graph format at Appendix 7.

It is a requirement of the Council's Treasury Policy Statement that the maximum amount of long-term debt maturing in any one year should be no more than 15% of the Council's long-term debt outstanding, at the time of borrowing.

The Council's Debt Maturity Profile as at 31 December 2023 was within the agreed limits.

Long Term Debt Maturity Profile as at 31 December 2023

	PWLB	Local Authority Bond	Total	
	£M	£M	£M	%
23/24	0.36	0.00	0.36	0.28
24/25	0.00	0.00	0.00	0.00
25/26	0.00	0.00	0.00	0.00
26/27	5.01	0.00	5.01	3.94
27/28	2.01	0.00	2.01	1.58
28/29	0.00	0.00	0.00	0.00
29/30	0.00	0.00	0.00	0.00
30/31	0.00	0.00	0.00	0.00
31/32	0.00	0.00	0.00	0.00
32/33	0.00	0.00	0.00	0.00
After 2033/34	105.47	14.40	119.87	94.20
Total	112.85	14.40	127.25	100.00

4. PRUDENTIAL INDICATORS

In line with the agreed monitoring arrangements for the Prudential Indicators, listed below there is a table showing all the prudential indicators comparing the approved indicator, as reported to the Council on 1 March 2023 along with the projected outturn figures recorded at 30 June 2023, 30 September 2023 and at 31 December 2023, demonstrating that the Council is operating well within the limits set.

Prudential Indicator	Approved indicator £'000s	Projected Outturn @ 30/06/23 £'000s	Projected Outturn @ 30/09/23 £'000s	Projected Outturn @ 31/12/23 £'000s	COMMENT
1. Capital Expenditure	£81,167	£66,541	£59,176	£57,480	Movement from the approved indicator is due to the revised planning of capital projects within both the Housing and General Fund Capital Programmes. The movement from the previous quarter relates to General Fund only.
2. Capital Financing Requirement	£304,873	£273,138	£266,180	£265,921	Movement from the approved indicator is due to a reduction in net capital expenditure in both previous and current years. The movement from the previous quarter relates to General Fund only.
3. Operational Boundary for External Debt	£309,855	£278,120	£271,162	£270,903	Movement from the approved indicator is due to a reduction in permitted borrowing from that approved due to a reduction in capital spend in both the previous and current years. The movement from the previous quarter relates to General Fund only.
4. Authorised Limit For External Debt	£345,308	£308,813	£300,812	£300,514	In addition to the variance explanation for the Operational Boundary for External Debt above, the Authorised limit for External Debt also includes a further 15% allowance to cover any unexpected temporary movements.

5. Gross Debt	£253,770	£228,270	£205,770	£205,770	Movement is due to the re-profiling of capital expenditure to future years and to deferral of borrowing, if possible, until rates come down.
6. Gross Borrowing to CFR (Under)/Over	(£51,103)	(£44,868)	(£60,410)	£(60,151)	Movement is due to a reduced net borrowing requirement as a result of a reduction in capital expenditure in both previous and current years, along with a deferral of borrowing, if possible, until rates come down.
7. Financing to Net Revenue Stream Non – HRA HRA	6.7% 34.4%	6.7% 32.4%	6.7% 32.8%	6.7% 32.8%	HRA variation from the approved indicator is in-line with a reduction in financing costs, along with increased rental income.
8. HRA - Ratio of Debt to Revenue	337.0%	305.8%	294.0%	294.0%	The variation from the approved indicator is due to a combination of reduced debt and increased rental Income.
9. HRA – Debt Per Dwelling £	16,450	15,682	15,079	15,079	The variation from the approved indicator is due to a combination of reduced debt and a reduction in the number of dwellings.
10. Code of Practice For Treasury Management	The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes	All of the approved activities within the Council Treasury Management Policy Statement have been complied with.			

The movement between the Capital Financing Requirement and the Gross Debt indicates the amount of internal borrowing required. The indicator above “Gross Borrowing to CFR” and the table below show that the capital borrowing need (the Capital Financing Requirement), has not been fully funded by external loan debt as the cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure. This strategy remains both prudent and cost effective as borrowing costs are currently relatively high and the Head of Accountancy has requested that borrowing, where possible, is not undertaken until interest rates come down from their current level.

	Approved Indicator £'000s	Projected Outturn @ 30/06/23 £'000s	Projected Outturn @ 30/09/23 £'000s	Projected Outturn @ 30/09/23 £'000s
Capital Financing Requirement	£304,873	£273,138	£266,180	£265,921
Gross Debt	£253,770	£228,270	£205,770	£205,770
Internal Borrowing Required	£51,103	£44,868	£60,410	£60,151

5. DEBT PERFORMANCE INDICATOR

The Treasury Strategy sets out the following two debt performance indicators

- i) Average “pool rate” should be at or below the Scottish average:
 - East Renfrewshire Council 2022/23 was 3.34%
 - Average All Scottish Local Authorities 2022/23 was 3.486%.
- ii) Average borrowing rate movement year on year:
 - Average borrowing rate in 2021/22 was 4.99%
 - Average borrowing rate in 2022/23 was 4.81%. Although this a decrease of 0.18%, the variance is likely to increase as new loans are taken due to the high interest rates currently available. The target set in the Treasury Strategy to maintain or reduce rates year on year may therefore be difficult to achieve.

6. Liability Benchmark

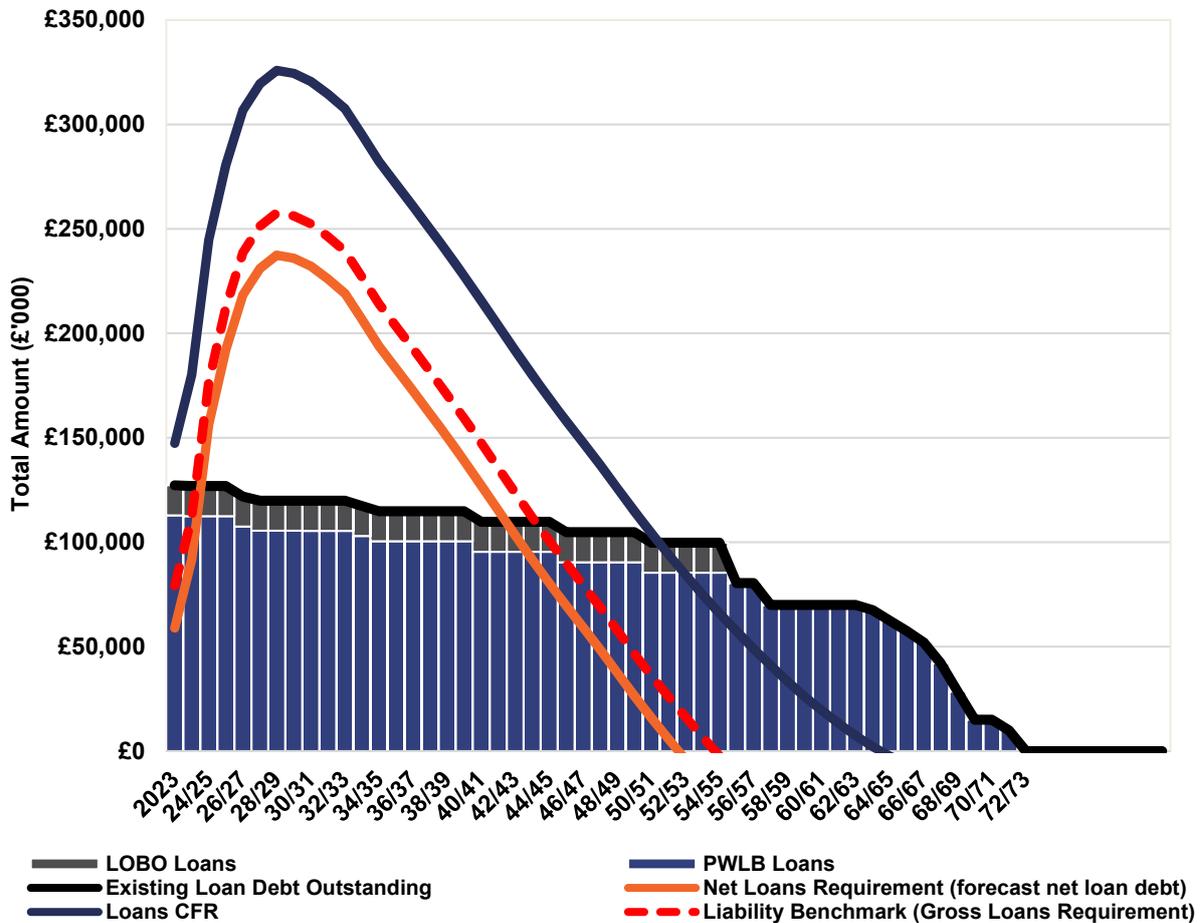
A new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum. It is a projection of the amount of loan debt outstanding that the Council needs to fund its existing debt liabilities, planned prudential borrowing and other cashflows.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority’s existing loans that are still outstanding in future years.

2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund principal repayments.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

Liability Benchmark @ 31/12/2023



7. APPROVED ORGANISATIONS FOR INVESTMENT

In line with normal practice the status of all Banks and Building Societies has been reviewed in order to amend the current list of approved organisations for investment (see appendix 8). No changes have been made to the list since last reported on 23 November 2023. All lending is in line with the permitted methods of investment which were approved by Council on 1 March 2023 as part of the Treasury Management Strategy report.

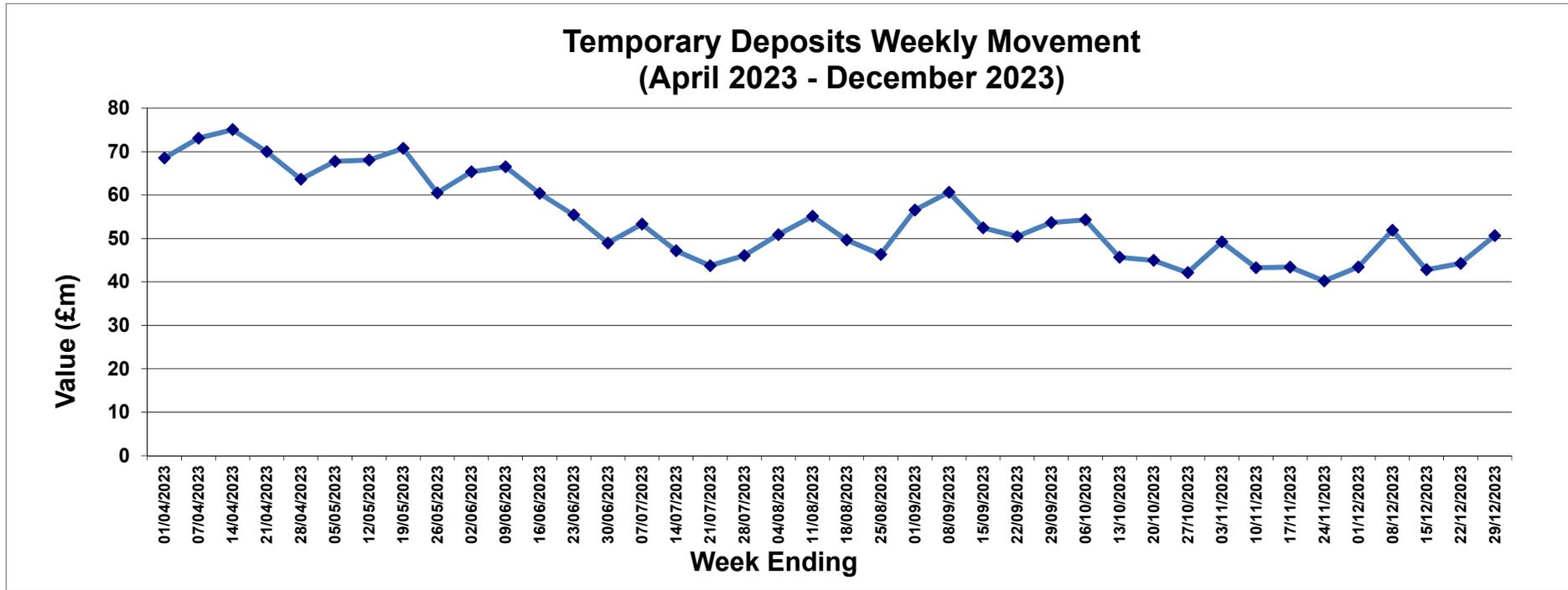
As a result of the banking crisis and in line with prudent financial management, investment has been restricted to UK organisations with high credit ratings. Also, the maximum period of investment was restricted to 6 months, in line with advice from our Treasury Advisers, Link Asset Services. These measures have been taken as part of a risk managed process designed to protect the principal of the sums invested.

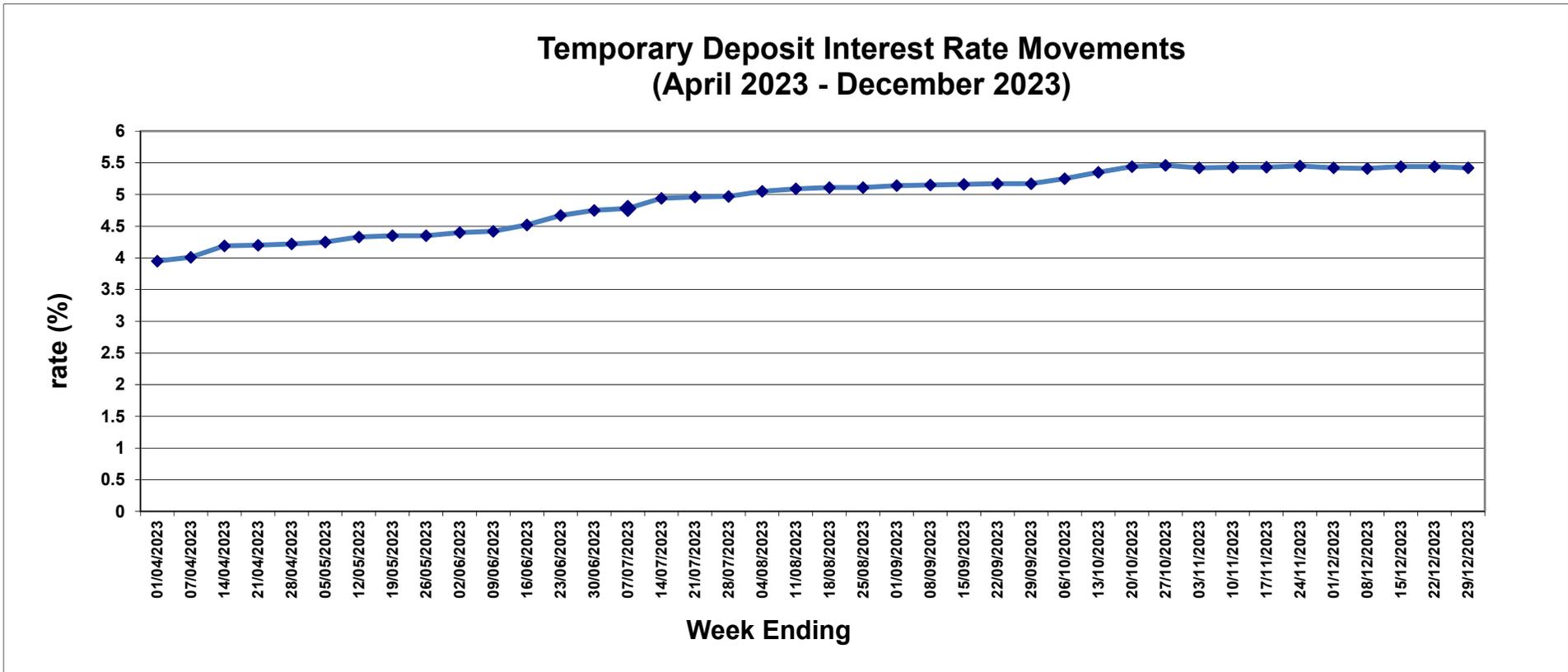
Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

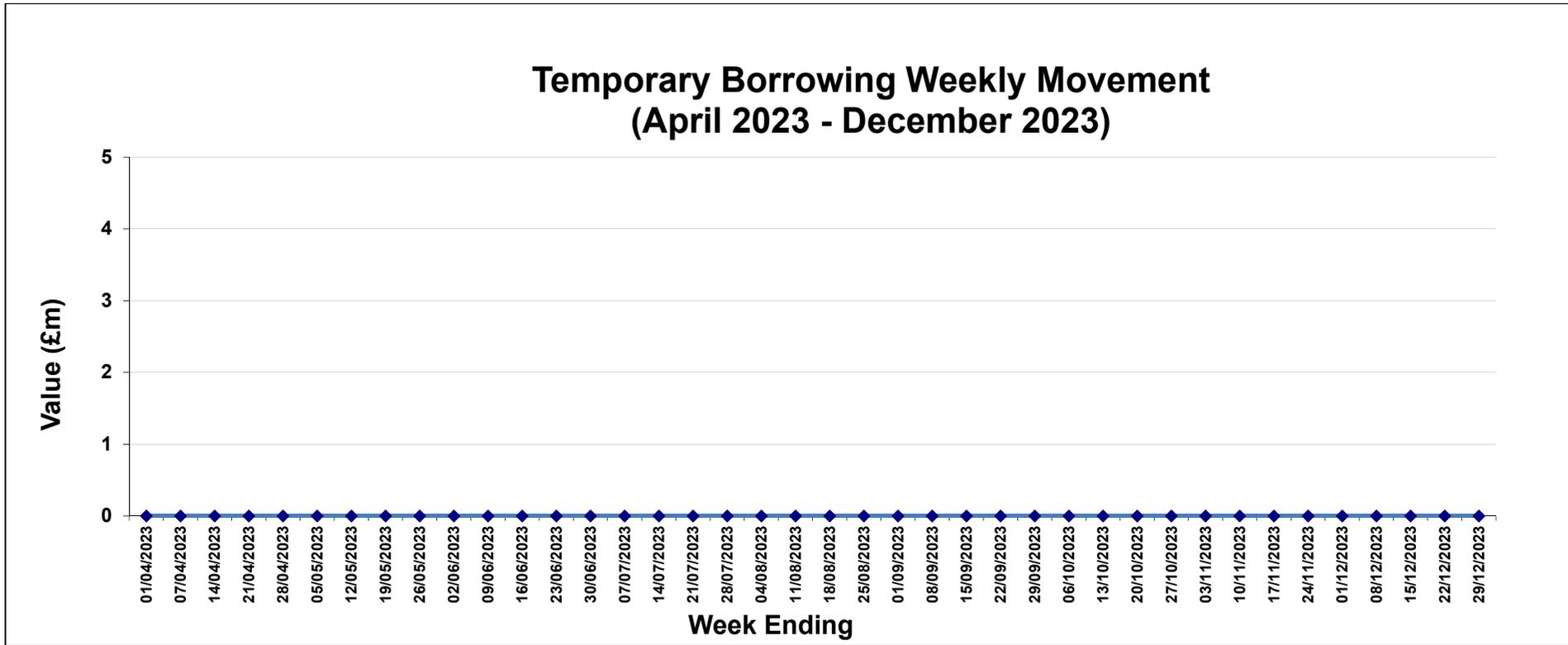
8. TREASURY MANAGEMENT RISK

Within the Operational Risk Register for Accountancy Services there is a risk listed that highlights the difficulty in obtaining sufficient institutions, that meet the Council's criteria, to invest surplus funds with. To minimise this risk the Council has six Money Market Funds which provide highly diversified investments.

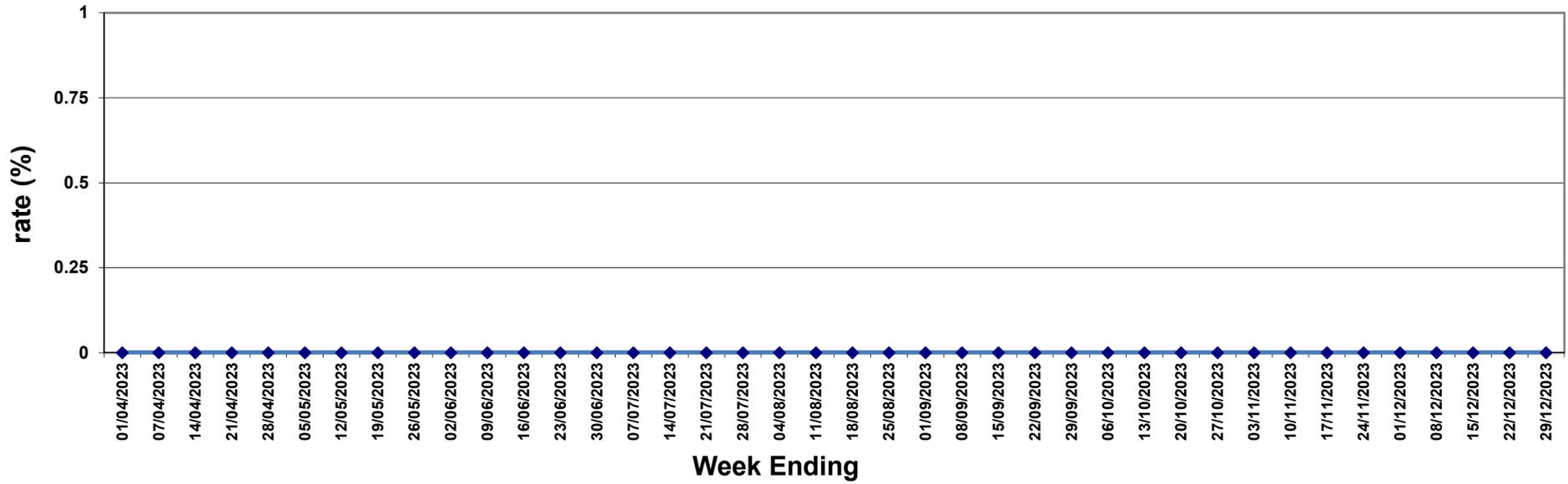
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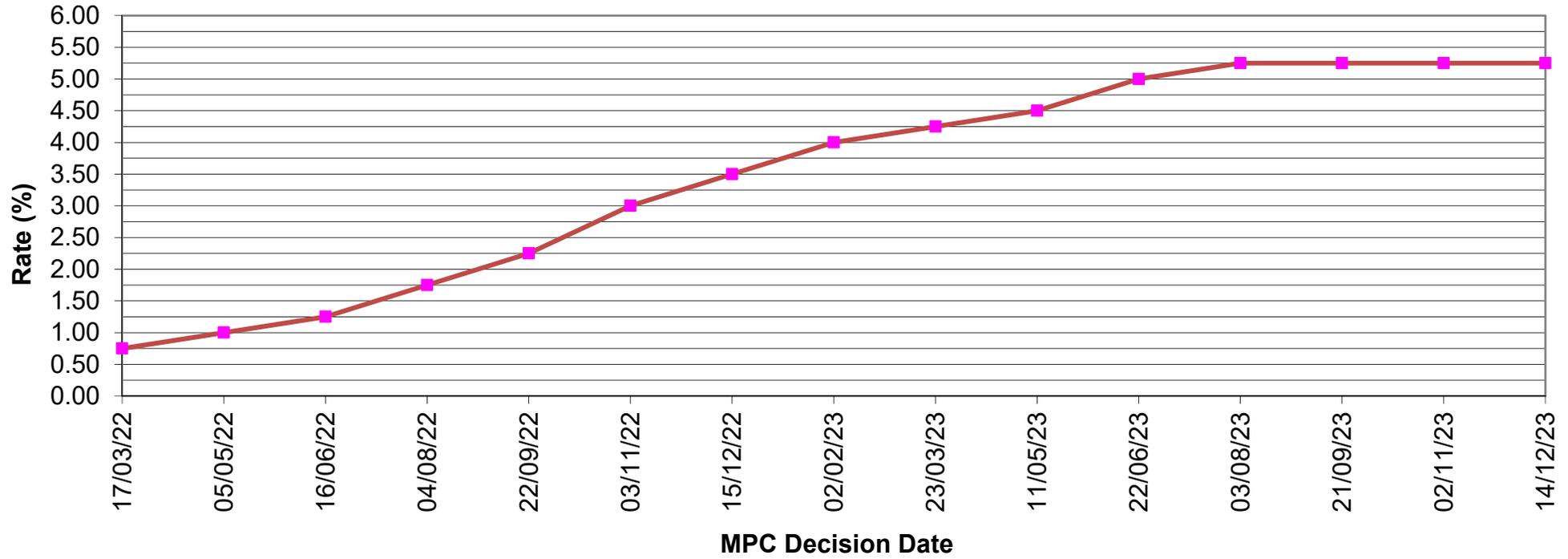




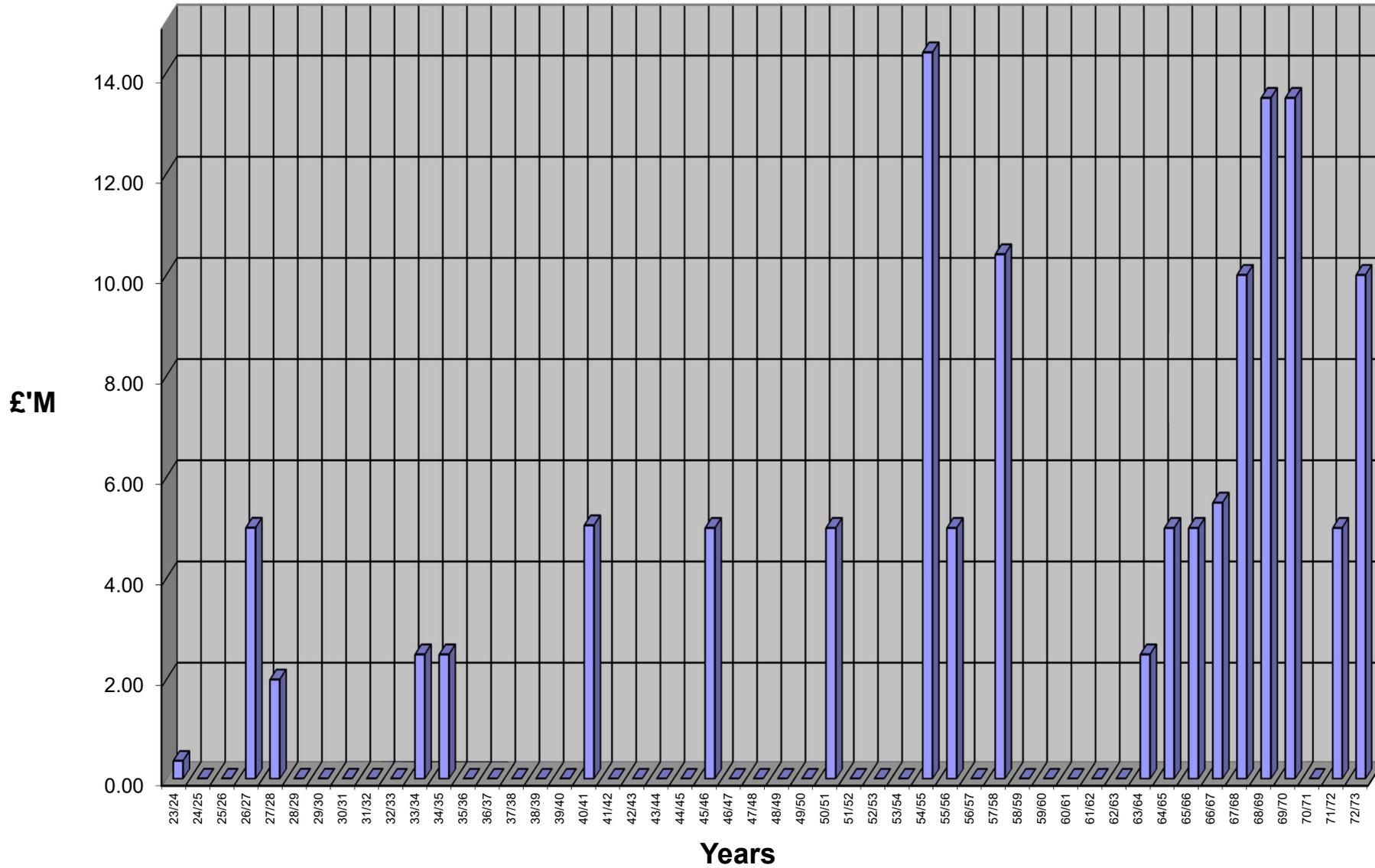
Temporary Borrowing Interest Rate Movements (April 2023 - December 2023)



Bank of England Base Rate Movements (April 2022 to December 2023)



Long Term Debt Maturity Profile as at 31/12/2023



EAST RENFREWSHIRE COUNCIL

ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS
Limits

Banking Group	Individual Counterparty	Deposit	Transaction
Bank of England	Debt Management Office	£30m	£10m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank plc	£5m	£5m
Goldman Sachs International Bank		£10m	£10m
Lloyds Banking Group:	Bank of Scotland plc	£5m	£5m
	Lloyds Bank Corporate Mkt (NRF)	£5m	£5m
Royal Bank of Scotland Group:	Royal Bank of Scotland plc	} £5m	£5m
	National Westminster Bank		
Santander Group	Santander UK plc	£10m	£10m
Standard Chartered Bank		£10m	£10m
Clydesdale Bank		£5m	£5m
Building Societies			
Nationwide		£10m	£10m
Local Authorities			
All Local Authorities including Police & Fire		£5m	£5m
Money Market Funds and Ultra-Short Dated Bond funds			
Maximum limit of £10m per fund		£60m	£10m

Credit Ratings

	Fitch		Moodys		S&P	
	LT	ST	LT	ST	LT	ST
Minimum Criteria (unless Government backed) (please note credit ratings are not the sole method of selecting counterparty)	A-	F1	A3	P-1/P-2	A	A-1/A-2

Limit

Investment of surplus funds is permitted in each of the above organisations, limits can only be exceeded or another organisation approved with written permission of the Chief Financial Officer.

Deposit Periods

The maximum period for any deposit is based on the Link Asset Services suggested Duration matrix with a maximum of 6 months. These limits can only be exceeded with the written permission of the Chief Financial Officer.

Hub scheme deposit periods are dependent on the lifetime of the associated scheme.

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

18 January 2024

Report by Director of Business Operations and Partnerships

SICKNESS 2022/23 REPORT

PURPOSE OF REPORT

1. The purpose of this report is to provide the audited absence Performance Indicator (PI) data for 2022/23 and an update on absence trends.

RECOMMENDATIONS

2. It is recommended that the Audit and Scrutiny Committee:
- Note the contents of the report

SICKNESS PERFORMANCE INDICATOR DATA

3. The table below shows an overall increase in the number of sickness days per FTE compared with the previous year. The Council has seen an overall increase from 8.86 days per FTE in 21/22 to 11.15 days per FTE in 2022/23 with this increase being driven mainly by Local Government Employee (LGE) absence.

	SICKNESS DATA	
	21/22	22/23
Service		
Business Operations and Partnerships	7.63	11.13
Chief Executive's Office	2.76	4.58
Education	10.59	11.97
Environment	12.95	14.46
Health & Social Care Partnership	13.49	20.72
LGE PI	11.20	14.23
Teacher PI	4.59	5.53
ERC Overall PI	8.86	11.15

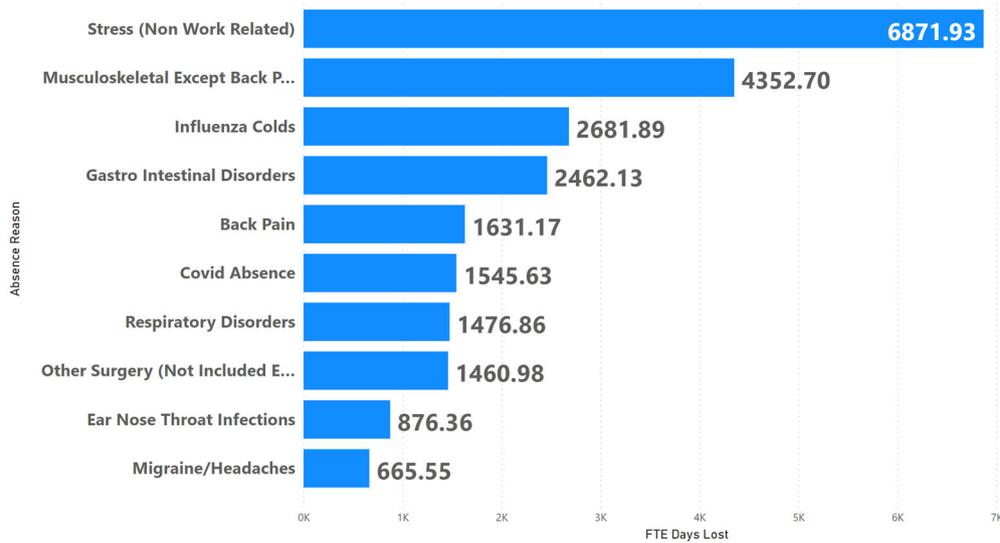
4. The HSCP had extreme operational pressures in 22/23 caused by high levels of sickness and the impact of covid pressures on this service area. A lot of work has been undertaken to set up weekly absence panels to target absence and support absence management processes including the HSCP funding a temporary HR resource. Recent data has indicated a significant improvement which is attributed to the use of management led absence panels, early intervention discussions with staff, and weekly absence management training sessions with managers.

5. In the LGBF framework for sickness absence East Renfrewshire Council has been placed 5th equal for teaching and 11th equal for LG which demonstrates that whilst our absence has increased we are in the 1st quartile for teacher absence and the 2nd quartile for LGE absence.

LOCAL GOVERNMENT ABSENCE REASONS

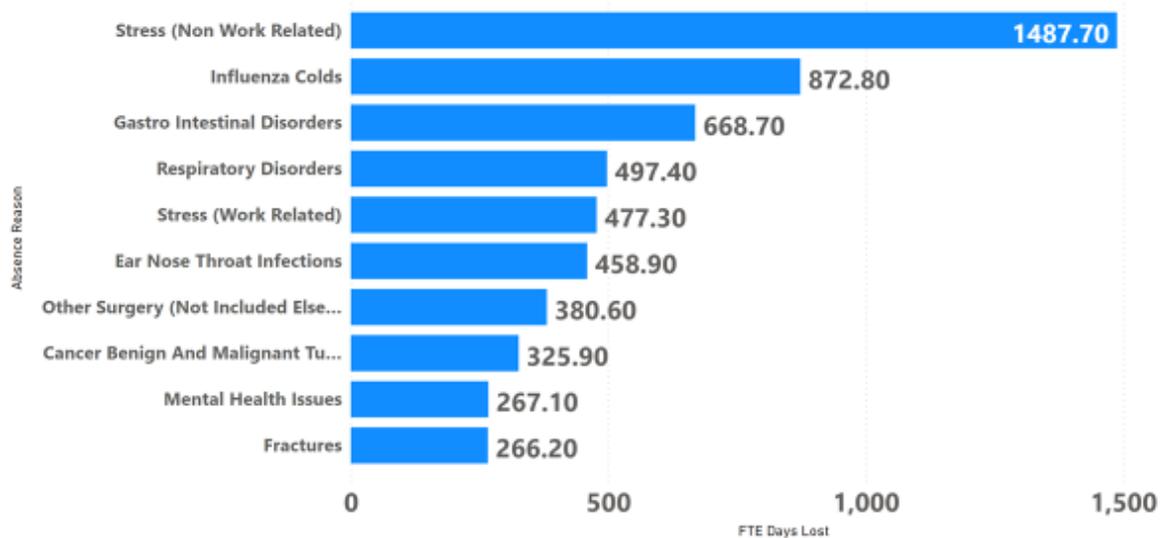
6. For LGE absence reasons remain consistent with previous years with Stress Non Work related remaining the number one reason for absence, followed by Musculoskeletal and Colds. Covid absence also features as this is now classed as an absence reason.

FTE Days Lost by Absence Reason



TEACHER ABSENCE REASONS

FTE Days Lost by Absence Reason



7. The chart above shows the top 10 absence reasons for teachers. The absence reasons remain consistent with the previous year with stress non work related remaining the highest reason.

ABSENCE TRENDS

8. The CIPD (Chartered Institute of Personnel and Development) reported that sickness absence rates have soared to a 10-year high in 2023 with days lost to sickness at the highest rate since 2004. Average absence levels remain considerably higher in the public sector (10.6 days per employee) than in other sectors, particularly private sector services (5.8 days), although the upsurge in average levels of absence is observed across all sectors. This correlates with the increase in the Council's overall absence levels.

9. The ONS (Office for National Statistics) reported in 2023 that sickness absence rates are consistently higher for public sector workers than private sector workers. They state there are several contributing factors when examining the differences between the public and private sectors, including:

- Differences in the types of jobs between the sectors, some of which have higher likelihoods of sickness than others, in particular workers in caring occupations had the highest rate of sickness absence in 2022.
- Workers in the private sector are less likely to be paid Company sick pay for sickness absence than those in the public sector, and where they are it is for a significantly shorter period.

10. The CIPD have also reported that there is further evidence that where staff are off on long term absence there has been a sharp rise in staff being off with multiple conditions. Currently our absence reporting doesn't allow multiple selections of absence reasons however some analysis of information gathered through meetings with staff would suggest a proportion of our employees are dealing with multiple medical conditions at the same time.

ABSENCE MANAGEMENT

11. The management of sickness absence is an important role of all line managers within the Council. The CIPD have highlighted in their 2023 Health and Wellbeing at Work Report that line managers play a key role in supporting people's health and wellbeing including taking primary responsibility for managing short-term and long-term absence. However, they highlight lack of line manager skills and confidence is the most common challenge for employee wellbeing and 'management style' remains among the top causes of stress related absence. To address this the CIPD recommend line managers need more training and support to manage sickness absence. We have formal sickness absence training available for managers through the Corporate Training Calendar, and further sickness absence training is being developed.

12. Council managers are provided with support from HR where they have sickness absence within their teams. At informal stages HR provide advice and refer staff to occupational health. Then at formal stages of absence management HR will support managers at meetings.

13. An important aspect of sickness absence management is that managers conduct a return to work interview with staff after every single absence, so that they are monitoring levels and tackling reasons for absence early on. These are saved in employee files and referred to during any formal absence meetings.

14. HR have run a number of lunch and learn sickness absence training sessions open to managers from across the Council to attend, and these are continuing to be run on an adhoc basis. The team are creating simple videos for managers on absence management and there is already one available for how to log sickness on iTrent. For more formal training there is a Maximising Attendance training course on the corporate training calendar which is run by HR staff twice a year.

TARGETED ABSENCE IMPROVEMENT ACTIONS

15. The CMT have recently agreed some areas to support the improvement of sickness absence management across the Council. These areas are as follows:

- Promotion of sickness data available to managers through iTrent HR system self-service and through the development of a new PowerBI absence dashboard
- Simplifying our sickness absence policy so that the steps can be easily followed by managers and employees. Then providing training and videos to support managers to understand the new policy.
- Reduce the number of sickness absence categories from 28 to around 14 so that areas such as back pain and muscular skeletal are combined rather than separate categories which will make it easier to understand the causes of sickness
- Promote the use of manager led absence management panels.

HEALTH AND WELLBEING

16. A Health and Wellbeing Officer was appointed in April 2023 on a temporary basis to support staff and help achieve actions from our wellbeing plan. During their first 6 months they have attended team meetings across Council areas in order to gather staff feedback of what they would find helpful.

17. All wellbeing activities offered to staff have been based on employee feedback gathered through speaking with staff or from their responses in the Health and Wellbeing survey.

On the back of this feedback the Health and Wellbeing Officer has implemented the following actions:

- Developed and delivered two training courses, which assist understanding and building of resilience and spotting and managing mental health.
- Developed bespoke training for teams with specific needs.
- Organised a wide range of Health Checks for ERC staff including targeting the hot spot areas for absence. 175 staff members were tested for a range of conditions including high blood pressure and diabetes, with many of these staff being advised to liaise with their own GPs for further testing due to abnormal results. We have received data for 165 of these employees. 5.4% of these employees required urgent referrals to their doctor, 25.7% required referrals to their doctors for further investigation and 13.7% were given advice to tailor their lifestyle. Staff feedback has been extremely positive.

- Organised physical exercise activities for staff including weekly walks at the 3 main office buildings, and also piloting a Pilates lunchtime class that has been fully booked during the pilot period.
- Providing one to one wellbeing conversations to staff that are in need of informal confidential support.
- Organised wellbeing taster sessions that can also be organised on a team basis to encourage team building.

18. In addition to the above, employees continue to be referred to occupational health and the employee assistance programme. Both these services provide staff and managers with specialist advice to support them at work or to return to work.

19. Financial wellbeing courses have been scheduled for the New Year which will cover a range of money management topics. This is particularly important as research demonstrates that a proportion of stress absence is linked to financial insecurity.

CONCLUSIONS

20. Sickness absence levels increased in 22/23.

21. It is important to maintain a focus on absence, absence improvement actions and health and wellbeing therefore these actions will continue to be supported.

RECOMMENDATIONS

22. It is recommended that the Audit and Scrutiny Committee:

- Note the contents of the report

Louise Pringle
Director Business Operations and Partnerships

Report author: - Kath McCormack, HR Manager
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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

18 JANUARY 2024

Report by Director of Business Operations and Partnerships

SUMMARY OF EARLY RETIREMENT/REDUNDANCY COSTS TO
31 MARCH 2023

PURPOSE OF REPORT

1. The purpose of this report is to provide the Audit and Scrutiny Committee with a summary of early retirement/redundancy costs from 1 April 2022 to 31 March 2023.

RECOMMENDATION

2. The Audit and Scrutiny Committee is requested to note the content of the report covering early retirements/redundancies within the report period and the related projected savings.

BACKGROUND

3. The Council recognises as good practice that on an annual basis elected members should receive summary information on the number, costs and forecast savings on early retirement and redundancy costs where decisions are delegated to officers.

4. The Local Government Pension Scheme (Scotland) Regulations 1998 permit pension scheme administering authorities to charge employing authorities for the costs incurred by early payment of pension benefits to employees who retire early in various circumstances; such sums are known as "strain on the fund" costs.

5. Strathclyde Pension Fund invoices the council as the costs are incurred. This report covers the period from 1 April 2022 to 31 March 2023.

REPORT

6. Redundancies continue to be assessed using a process based on a financial business case. Where the organisation chooses to grant an early retirement or voluntary redundancy the financial business case for the restructure needs to show that the costs can be recovered within acceptable timescales with ongoing tangible savings being achieved thereafter.

7. It should be noted that some redundancies are paid due to legal requirement and there is no business case, this can be due to a number of factors: termination of a temporary contract with no long term funding, termination of temporary contract where the employee had continuous service from another public sector body covered by the RMO (Redundancy Modification Order) or deletion of a post.

8. For statutory purposes leavers are included in the year in which the decision was taken and the non-recurring charges within this report are aligned with the information contained in the 2022-23 statutory accounts.

9. The total charge accounted for in the Strain on the Fund cost from Strathclyde Pension Fund for the period April 2022 to March 2023 is £115,104.23.

10. During this report period there have been 12 instances of early retiral/redundancy and a summary is provided in Appendix A. 2 of these instances was due to the end of a temporary contract, with the individual being legally entitled to a redundancy payment as their contract had exceeded 2 years' service.

11. From Appendix A the initial costs of processing the early retirals/redundancies was £406,317.52 resulting in net annual savings of £531,074.57. From these figures the initial outlay to process the early retirals/redundancies will be recovered in 0.85 years with savings in excess of £531K per annum being achieved thereafter.

RECOMMENDATION

12. The Audit and Scrutiny Committee is requested to note the content of the report and the explanations provided for early retirals/redundancies within the report period and the related projected savings.

Louise Pringle
Director of Business Operations and Partnerships

Report Author:
Kath McCormack, HR Manager

COSTS/SAVINGS OF EARLY RETIRALS/REDUNDANCIES FROM 1/4/22 TO 31/3/23

Redundancy Approvals and Costs for Audit Committee 1st April 2022 to 31st March 2023

Department	Headcount	FTE	Payment in Lieu of Notice	Restructuring cost	Redundancy	A/Y Lump Sum	Strain on Fund	Employers National Insurance	Total One Off Costs	Annual Yearly Pension	Savings
Combined figures across all Departments and Partnership areas	12	11.54	0	£50,490.32	£272,399.49	£6,541.38	£115,104.23	£12,272.42	£406,317.52	£2,753.52	£531,074.57

Annual saving achieved of 0.85 years based on dividing one off costs by savings.

Savings are calculated based on salary including on-costs minus restructuring costs minus ongoing annual pension

Employers National Insurance contributions are paid where individual amounts exceed £30k

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

18 January 2024

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT – ADULT MENTAL HEALTH IN SCOTLAND

PURPOSE OF REPORT

1. To provide information on the Audit Scotland report, *Adult Mental Health in Scotland*.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

BACKGROUND

3. A copy of the Audit Scotland report, [Adult Mental Health in Scotland](#) published in September 2023, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Member leading the review of this particular report is Councillor Edlin.

4. The Chief Officer, Health and Social Care Partnership, has provided comments on the report, which are as submitted to the Performance and Audit Committee of the Integration Joint Board (IJB) on 22 November 2023. A copy of that feedback is attached (see Appendix A).

RECOMMENDATION

5. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)
e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit Scotland report on [Adult Mental Health in Scotland](#)

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EAST RENFREWSHIRE HEALTH AND SOCIAL CARE PARTNERSHIP**PERFORMANCE AND AUDIT COMMITTEE****22 November 2023****Report by Chief Officer****AUDIT SCOTLAND REPORT: ADULT MENTAL HEALTH****PURPOSE OF REPORT**

1. The purpose of this report is to share and provide local context to the recent Audit Scotland report on adult mental health in Scotland, which was prepared and published by Audit Scotland in September 2023 and makes a number of recommendations for Integration Joint Boards, NHS Board, Council and the Scottish Government.

RECOMMENDATION

2. The Performance and Audit Committee is asked to note the report.

BACKGROUND

3. Audit Scotland audit 225 public bodies to provide independent assurance that public money is spent properly, efficiently and effectively. They provide services to the Auditor General and the Accounts Commission. The Accounts Commission holds councils and other local government bodies in Scotland to account and helps them improve by reporting to the public on their performance.
4. Audit Scotland produce a number of reports each year and in September 2023 published a report on Adult Mental Health which is included at Appendix 1 for information. This performance audit looks at how effectively mental health services for adults in Scotland are being delivered and focuses on progress made since the Scottish Government published its Mental Health Strategy 2017–2027.

REPORT

5. Detail relating to each of the recommendations is contained within the Audit Scotland Report itself, this report summarises the four key messages from the report and provides an overview of East Renfrewshire context and approach including where our delivery of services is aligned to Board wide strategy and work with our fellow HSCPs.

6. The Audit Scotland report says:

- Funding for adult mental health services has increased significantly since 2017. But a lack of data makes it hard to see what impact this increased spending has had. Accessing services remains slow and complicated for many people. The Covid-19 pandemic made this situation worse, particularly limiting access to face-to-face support. NHS boards are still not all routinely offering face-to-face appointments as a choice. The mental health workforce is under pressure, with high vacancy rates and turnover. And progress towards increasing the mental health support available from primary care, which is essential to improving access and relieving pressure on specialist services, has been delayed.
- Accessing mental healthcare is more difficult for some people, for instance people from ethnic minorities, people living in rural areas and people living in poverty. People living in the most deprived areas are also three times more likely to end up in hospital for mental health issues than those in the least deprived areas. This is a long-standing problem and progress in tackling it has been slow. Mental health services cannot address this alone, and they are not yet working closely enough with other sectors, such as housing, welfare, and employability support services, to address and prevent some of the causes of poor mental health.
- The Scottish Government does not have sufficient oversight of most adult mental health services because of a lack of information. It does not measure the quality of care or the outcomes for people receiving it. The Scottish Government focuses on only waiting times for psychological therapies to assess how adult mental health and wellbeing services are performing. Performance against this measure has improved, but NHS boards are still struggling to meet waiting times standards. The system is fragmented, and accountability is complex, with multiple bodies involved in funding and providing mental health services. This causes complications and delays in developing services that focus on individuals' needs.
- The Scottish Government's progress against commitments in its Mental Health Strategy 2017–2027 is mixed. It has since made further financial, operational and workforce commitments, but it is not currently on track to achieve them. These include increasing mental health funding by 25 per cent, ensuring that ten per cent of front-line health spending is on mental health, and giving all GP practices access to primary care mental health and wellbeing services.

7. The report is arranged into four parts:-

- Part 1. Access to mental health support and services
- Part 2. Progress towards improving mental health services
- Part 3. How well resources for adult mental health are managed
- Part 4. Plans and strategic direction.

8. Findings and recommendations are based on evidence gathered through document review, data analysis, interviews and focus groups as well as more in-depth fieldwork in Grampian, Aberdeenshire and Moray, and Lanarkshire to better understand local pressures and challenges, and to highlight areas of good practice.

9. The report noted that supporting and improving mental health and wellbeing is a significant public health challenge that requires a coordinated response from a wide range of organisations. The report makes a number of recommendations for Scottish Government, Integration Joint Boards, NHS Boards and Councils to take forward. They recommended that:-
- The Scottish Government should:
 - *implement the recommendations of the independent evaluation of the Distress Brief Intervention (DBI) programme as part of rolling out the DBI programme across Scotland by March 2024*
 - *before the end of 2023, publish its guidance on measuring and evaluating outcomes from mental health and wellbeing services in primary care, which was expected to be published in April 2022*
 - *publish a costed delivery plan, as soon as possible, setting out the funding and workforce needed to establish and accommodate primary care mental health and wellbeing services across Scotland by 2026, including how these services will work with other sectors to provide holistic, person-centred support*
 - *in the next 12 months, work with Public Health Scotland to start routinely publishing, at least quarterly, how the Scottish Government's psychological therapies specification and quality standards for secondary mental health services are improving the experiences and outcomes for people who use these services.*
 - *in the next 12 months, work with Public Health Scotland to start routinely publishing psychological therapies performance at Health and Social Care Partnership (HSCP) level as well as NHS board level to improve transparency and accountability for psychological therapies services.*
 - Scottish Government and Integration Joint Boards (IJBs) should:
 - *urgently progress work to improve the availability, quality, and use of financial, operational and workforce data so that:*
 - *service and workforce planning, particularly in primary, community, and social care, is based on accurate measures of existing provision and demand*
 - *information can be shared between health and social care partners more easily*
 - *they can routinely measure, monitor and report on the quality of mental health services and patient outcomes; the difference that investment is making to patients' outcomes; and how much is being invested in preventative programmes of work and their impact.*
10. Within East Renfrewshire our Mental Health and Recovery Planning Group recognises the importance of quantitative and qualitative data to assist in planning both in terms of workforce and in service delivery with a particular focus on improving patient experience.
11. As an example our local data capture goes beyond compliance with psychological therapies and we have created a local dashboard which measures demand and capacity, we have also undertaken work to better understand where patients are accessing multiple services in an effort to highlight where better integration is needed to increase efficiency and achieve a smoother journey across the service areas. This in turn is assisting us to make service changes to both pathways and workforce deployment / recruitment and future planning.

- IJBs, HSCPs and NHS boards should:
 - *provide people with a choice about whether they access mental health services remotely or face-to-face, in line with the commitment in the Digital Health and Care Strategy.*
12. In East Renfrewshire the advent of wider digital access as a result of the pandemic has largely been positive. Prior to the pandemic this was not an option for patients but we recognise this does not suit everyone, staff included. We have continued to offer choice of appointments, there are however occasions where this may be limited based on a range of factors such as infection control but, we work to ensure when contingencies are required we quickly return to normal operations.
- IJBs and councils should:
 - *urgently improve how mental health, primary care, housing, employability, and welfare support services work together to address and prevent the causes of poor mental health, by developing shared goals and targets, sharing data and jointly funding services.*
13. Integration, working together and collaboration is at the heart of what we do in East Renfrewshire and our Mental Health and Recovery Planning Group is made up of a wide range of services from within and outwith the mental health setting. However there is always more to do and we recognise this. Our strategic planning incorporates the importance of stronger integrated and partnership working but this is something which is achieved by close operational links and day to day management which is a key focus for us.
14. In addition to the points above, East Renfrewshire is working on a range of priorities which are aligned to the recommendations made in the audit Scotland report, including:-
- Our Peer Support and Lived experience panels are now embedded and helping us to shape all local services.
 - Progress has been made against the NHS Greater Glasgow and Clyde Mental Health Strategy 2018 – 2023 which has been refreshed for 2023-2028. An update on the refresh is being presented to the IJB at its meeting on 22 November 2023 which includes further detail on the ongoing work to support the delivery of the strategy at a local level.
 - During the pandemic we established a number of remote services and we continue to offer these alongside face to face and group appointments.
 - Our workforce planning is taking account of the recruitment and retention issues experienced by all HSCPs. We have developed a local plan to take account of imminent retirements of senior staff with a focus on how we build resilience and prepare for these changes. We are also looking at the roles and skill mix for all professions and have managed a very challenging situation in relation to medical staff vacancies by investing other disciplines such as pharmacy.
 - We have, by investing in local staff development increased our Mental Health Officer numbers and aim to continue this approach.
 - We are working to take forward the Distress Brief Interventions programme with a view to investing funding with our third sector partners.

CONCLUSIONS

15. There is, without question, multiple areas of activity related to improvement in mental health services at a national, NHS Board and local level. This can be challenging to navigate for a smaller HSCP. This is particularly challenging when funding is ring fenced and there is limited flexibility to focus on local issues which may differ from other areas. We can however, because of our size link quickly and effectively with internal and external partners and this has stood us in good stead.
16. An important measure is our admissions to inpatient mental health services which is relatively low, we have also not experienced any delayed discharges in Mental Health for a considerable period which demonstrates our commitment to supporting people at home and ensuring that when hospital is needed people are supported to get home as soon as they are ready.
17. The report acknowledges that the independent review of mental health law in Scotland which published its final report in September 2022, along with the Scottish Government's response in June 2023 may lead to changes in mental health law in future, this will require significant implementation.
18. The Audit Scotland Report provides a useful overview of services across Scotland and provides us with key information on which to benchmark ourselves. Our Mental Health and Recovery Planning and Adult Services Governance Groups will take account of the recommendations set out here, we will continue to work with Board wide colleagues on wider NHS GGC strategy and on the wide range of directives we receive from Scottish Government. We will however continue to put this in the context of what matters to the people of East Renfrewshire and our HSCP Strategic Plan reflects our mental health and recovery priorities based on the needs and priorities of the population.

RECOMMENDATIONS

19. The Performance and Audit Committee is asked to note the report.

REPORT AUTHOR AND PERSON TO CONTACT

Tom Kelly, Head of Adult Services: Learning Disability and Recovery
tom.kelly@ggc.scot.nhs.uk

1 November 2023

Chief Officer, IJB: Julie Murray

BACKGROUND PAPERS

IJB Paper: 22.11.2023: A Refresh of the Strategy for Mental Health Services in Greater Glasgow & Clyde 2023-2028

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

18 January 2024

Report by Chief Auditor

EAST RENFREWSHIRE COUNCIL COMPLIANCE WITH PUBLIC SECTOR
INTERNAL AUDIT STANDARDS (PSIAS)

PURPOSE OF REPORT

1. To provide members with the summary outcome of the independent external assessment of the Internal Audit service as detailed in the attached report (see Appendix).

BACKGROUND

2. The Internal Audit function is required to adhere to the Public Sector Internal Audit Standards (PSIAS) to ensure quality and consistency across the public sector. In order to adhere to this, an independent external assessment of the Internal Audit service is required to be carried out at least once every five years by a qualified independent assessor or assessment team from outside the organisation.

3. To meet this requirement and obtain best value for the Council, a reciprocal arrangement to complete a programme of inspections was developed and agreed by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG). As part of the agreement, the assessment of East Renfrewshire's Internal Audit service was carried out by South Lanarkshire Council. The only cost of this review was therefore Internal Audit time taken to assist the assessor in carrying out the review and providing the necessary evidence. East Renfrewshire will carry out an external assessment of Midlothian Council as part of this arrangement.

SUMMARY FINDINGS

4. As detailed within the attached report, the external assessment is based on reviews over 14 headings as specified within the PSIAS. There are four possible ratings that can be given for each heading, fully compliant, generally compliant, partially compliant or not compliant. East Renfrewshire Council's Internal Audit service has been assessed as fully compliant in nine categories and generally compliant in the remaining five categories. A total of six recommendations were made and implementation of the agreed actions is summarised in the action plan contained within the report.

5. The overall conclusion by the external assessor is that the Internal Audit service generally conforms with the PSIAS.

RECOMMENDATION

6. The Committee is asked to note the content of the report and the proposed action plan contained within the report.

Further information is available from Michelle Blair, Chief Auditor (Telephone 0141 577 3067)

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**EXTERNAL QUALITY
ASSESSMENT 2
OF
EAST RENFREWSHIRE
COUNCIL'S
INTERNAL AUDIT FUNCTION**

Report Recipients:

Steven Quinn, Chief Executive
Margaret McCrossan, Head of Accountancy
Gerry Mahon, Chief Officer Legal and Procurement
Michelle Blair, Chief Audit Executive
Cllr Andrew Morrison, Chair of the Audit and Scrutiny Committee

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EXECUTIVE SUMMARY

1. INTRODUCTION

- 1.1 The mandatory Public Sector Internal Audit Standards (PSIAS), published initially in April 2013 and updated most recently in March 2017, apply to all internal audit service providers in the UK public sector, whether in-house, provided via a shared service arrangement or outsourced. To supplement the PSIAS and provide specific guidance surrounding its application within a local government setting, the Chartered Institute of Public Finance and Accountancy (CIPFA) compiled a Local Government Application Note, which was last updated in 2019.
- 1.2 The objectives of the PSIAS are to define the nature of internal auditing within the UK public sector; set basic principles for carrying out internal audit; establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; establish the basis for the evaluation of internal audit performance and drive improvement planning.
- 1.3 The PSIAS require the Chief Audit Executive (the Chief Auditor in East Renfrewshire Council) to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outwith the organisation, and enable evaluation of the internal audit activity's conformance with the PSIAS, including the Mission of Internal Audit, Definition of Internal Auditing and Code of Ethics. In addition, the QAIP should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.
- 1.4 To assist its members to meet the five-yearly external assessment requirement, the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) established a collaborative system of formal peer reviews. This approach not only assists with ensuring that independent assessors, and their teams, have appropriate knowledge and experience of the local government internal audit environment but also removes the financial burden from councils, associated with procuring these services externally. The allocation of assessors / assessment teams to councils participating in the peer review process was undertaken autonomously, ensuring that, amongst other governing principles, local authorities with perceived / known conflicts of interest could not review one another. At the outset, assessors were required to formally declare any interests so that these could be appropriately addressed during the allocation process. South Lanarkshire Council was selected to carry out the external assessment in East Renfrewshire Council.
- 1.5 To support the peer review process, SLACIAG developed a comprehensive External Quality Assessment (EQA) framework, including an EQA Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note (EQA Checklist) and a key Stakeholder Questionnaire proforma. The external assessment of East Renfrewshire Council's Internal Audit function has been carried out by South Lanarkshire Council's Audit and Compliance Manager utilising this framework.
- 1.6 This report provides a high level summary of requirements for each standard per the PSIAS and CIPFA Local Government Application Note and sets out the findings, conclusions and recommendations from the external assessment, which involved discussions with key members of staff, including the Chief Auditor, review of the most recent self-assessment carried out utilising the EQA Checklist and consideration of other relevant supporting documentation / information (Evidence Pack) including working paper files and completed stakeholder questionnaires. A comprehensive list of supporting documentation / information and completed stakeholder questionnaires considered as part of the assessment can be found at appendices B and C respectively.

2. OVERALL CONCLUSION

2.1 The overall conclusion of the external assessment is that East Renfrewshire Council's Internal Audit function **generally conforms** with the PSIAS. A full summary of assessment, per assessment area, can be found at Appendix A. A summary of totals is as follows:

	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
TOTALS	9	5	0	0

2.2 The main areas for improvement highlighted in the report are as follows:

- References to compliance with PSIAS throughout all audit activity should be to the revised 2017 Standard.
- An assurance mapping exercise of how the Internal Audit Plan links to the organisation's strategic and organisational top risks should be completed and presented along with the Annual Plan each year.
- Audit reports should record a formal audit opinion that aligns to the various classifications of audit opinion within the annual report.
- The timing of the presentation of the Internal Audit Annual Report should be aligned to that of the Committee receiving the Council's draft unaudited accounts so that the Chief Auditor's opinion, for the relevant financial year, is captured within the draft Annual Governance Statement (AGS).

2.3 Full details of the assessment recommendations and management responses can be found in the Action Plan at Appendix D.

3. SECTION A – MISSION OF INTERNAL AUDIT AND CORE PRINCIPLES

The PSIAS state that the Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation, which is ‘to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight’.

Taken as a whole, the Core Principles for the Professional Practice of Internal Auditing, as set out in the PSIAS, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Core Principles should be present and operating effectively. Failure to achieve any of the Core Principles would imply that an internal audit activity was not as effective as it could be in achieving the Mission of Internal Audit.

- 3.1 Evidence obtained from assessing conformance with other standards in the PSIAS has been used, along with specific consideration surrounding the achievement of the Core Principles, to conclude that East Renfrewshire Council’s Internal Audit function **fully conforms** with accomplishing the Mission of Internal Audit as detailed above.

4. SECTION B – DEFINITION OF INTERNAL AUDITING

The PSIAS state that internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- 4.1 Evidence obtained from assessing conformance with other standards in the PSIAS has been used to conclude that East Renfrewshire Council’s Internal Audit function **fully conforms** with the definition of Internal Auditing as detailed above. Evidence provided confirmed the objective of the Internal Audit function is to add value and improve East Renfrewshire Council’s risk management, control and governance processes with positive feedback from Stakeholders supporting this view.

5. SECTION C – CODE OF ETHICS

The PSIAS state that the purpose of the Institute of Internal Auditor’s Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out in the PSIAS. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

- 5.1 Evidence obtained from assessing conformance with other standards in the PSIAS, in particular the Attribute Standards 1000 – Purpose Authority and Responsibility, 1100 – Independence and Objectivity, 1200 – Proficiency and Due Professional Care, Professional Standards 2000 – Managing the Internal Audit Activity and 2300 – Performing the Engagement, has been used to conclude that East Renfrewshire Council’s Internal Audit function **generally conforms** with the requirement to comply with the Code of Ethics given that there are a small number of improvements set out within this report to further enhance compliance with PSIAS.

6. SECTION D – ATTRIBUTE STANDARDS

Attribute Standards apply to organisations and individual internal auditors providing the internal audit services in a local authority.

6.1 1000 - Purpose, Authority, and Responsibility

The PSIAS state that the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval. The internal audit charter must also:

- *define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;*
- *cover the arrangements for appropriate resourcing;*
- *define the role of internal audit in any fraud-related work; and*
- *describe safeguards to limit impairments of independence or objectivity if internal audit or the chief audit executive undertakes non-audit activities.*

6.1.1 East Renfrewshire Council’s Internal Audit Charter is periodically reviewed with the most recent revision taking place in June 2019. The Internal Audit Charter was approved by the Audit and Scrutiny Committee on 20 June 2019. The Charter references the introduction of PSIAS in April 2013 but not the revised standard introduced on 1 April 2017. Given the time that has elapsed, it is recommended that the Internal Audit Charter is reviewed and represented to the Audit and Scrutiny Committee. At the point of review, the content of the Charter should be updated to reflect the revised PSIAS (2017) and:

- include a statement regarding the Mission of Internal Audit
- provide a definition of the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation

(Recommendation 1)

6.1.2 Having considered the findings above, it has been concluded that East Renfrewshire Council’s Internal Audit function **generally conforms** with Standard 1000 on Purpose, Authority and Responsibility.

6.2 1100 - Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work. Various aspects of independence and objectivity are covered in this standard as well as 1200, including reporting functional lines of the CAE, the relationship between the CAE and the board and any impairment to individual internal auditors’ objectivity or independence. Reporting and management arrangements must be put in place that preserve the CAE’s independence and objectivity, in particular with regard to the principle that the CAE must be independent of the audited activities.

6.2.1 The Chief Auditor reports functionally to the Audit and Scrutiny Committee and administratively to the Chief Executive, who is a member of the Council’s Senior Management Team. The Chief Auditor has direct and unrestricted access to the Chief Executive and the Chair of the Audit and Scrutiny Committee and this has been confirmed by the completed Stakeholder Questionnaires. These reporting / access arrangements are clearly defined in the Internal Audit Charter as are safeguards to limit impairment of independence or objectivity.

6.2.2 In support of organisational independence, the Chief Auditor attends Audit and Scrutiny Committee meetings to present all internal audit reports (including, for example, the Internal Audit Charter, Annual Report, Internal Audit Plan and reports / executive summaries from the planned audits to Elected Members). The reports are all submitted in the Chief Auditor’s name.

- 6.2.3 The Chief Auditor does not have operational responsibility for the activities audited and this is communicated to stakeholders via the Chief Auditor's responsibilities set out in the Internal Audit Charter.
- 6.2.4 All staff within the Internal Audit function are required to complete a declaration on an annual basis of any conflicts of interest.
- 6.2.5 East Renfrewshire Council's Internal Audit function **fully conforms** with Standard 1100 on Independence and Objectivity.

6.3 1200 - Proficiency and Due Professional Care

The CAE must be professionally qualified, suitably experienced and responsible, in accordance with the organisation's human resources processes, for recruiting appropriate staff. He or she is responsible for ensuring that up-to-date job descriptions exist, reflecting roles and responsibilities, and that person specifications define the required qualifications, competencies, skills, experience and personal attributes.

The CAE should periodically assess individual auditors' skills and competencies against those set out in the relevant job descriptions and person specifications. Any training or development needs identified should be included in an appropriate ongoing development programme that is recorded and regularly reviewed and monitored. In addition, all internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This may be fulfilled through requirements set by professional bodies or through the organisation's own appraisal and development programme. Auditors should maintain a record of such professional training and development activities.

The internal audit activity should be appropriately resourced to meet its objectives. It should have appropriate numbers of staff in terms of grades, qualifications, personal attributes and experience or have access to appropriate resources in order to meet its objectives and to comply with these standards. The PSIAS states that the CAE must obtain competent advice and assistance if the activity is unable to perform all or part of an engagement.

- 6.3.1 The Chief Auditor holds a relevant professional qualification and is suitably experienced, with 20 years internal audit experience within a Scottish local government environment. The Chief Auditor is a member of SLACIAG and regularly attends and contributes to meetings. In relation to the two SLACIAG Sub-Groups, the Computer Audit Sub-Group (CASG) and the Scottish Local Authorities Investigators Group (SLAIG), East Renfrewshire Council's Internal Audit function is represented on the former, with a Senior Revenues Officer representing East Renfrewshire Council on SLAIG.
- 6.3.2 To support the Chief Auditor in East Renfrewshire Council's Internal Audit function there are three Senior Auditors. Membership of one of the Consultative Committee of Accountancy Bodies (CCAB) is noted as an essential requirement for the post of Senior Auditor. There are a total of five members of staff in the Internal Audit function, including the Chief Auditor and three Senior Auditors. Of these five posts, two are noted as vacant at the time of the review. When presenting the 2022/2023 Audit Plan to the Audit and Scrutiny Committee (June 2022), there was one post vacant and the report set out the assumption that capacity calculations were based on this post being filled. The 2022/2023 Annual Report noted that the number of vacancies had increased in year and highlighted that this was not sustainable for the Service in the longer term. It is noted that recruitment activity is ongoing to resolve capacity shortfall and that the Audit and Scrutiny Committee are aware that a resolve is required to properly resource the Internal Audit function. The Internal Audit function delivers internal audit services to East Renfrewshire Council, East Renfrewshire Culture and Leisure Trust and East Renfrewshire Integration Joint Board and is responsible for the investigation of any suspected fraud or bribery within East Renfrewshire Council.

- 6.3.3 The Internal Audit Charter notes that the Chief Executive is the line manager of the Chief Auditor and accordingly carries out the performance appraisals. The Chair of the Audit and Scrutiny Committee is invited to provide feedback for input into this process. There is a formal Employee Performance and Development Appraisal process that is competency based.
- 6.3.4 The Internal Audit function is represented on a number of corporate groups, including the Information Security Forum providing an opportunity to ensure that the implementation of internal controls has been a key consideration in the development of new processes or revisions to existing practices and that revised Council systems and processes continue to embed the key internal controls of segregation of duties, authorisation, reconciliation and monitoring.
- 6.3.5 The Chief Auditor and Senior Auditors adhere to specific CPD requirements linked to their relevant professional body. Aside from this there is a programme of compulsory generic Council-wide training and job-specific training dependent on the content of the annual Audit Plan.
- 6.3.6 Job Profiles/Descriptions are in place but one dates back to as early as 2001. At an appropriate juncture, the opportunity should be taken to revisit such to confirm that these provide a clear description of the requirements of each role.
- 6.3.7 There was positive comment within Questionnaires that Stakeholders were satisfied that the function demonstrated sufficient knowledge and experience and that all members of the Internal Audit function exercise due professional care. Evidence was provided of professional qualifications, a formal performance appraisal process and a commitment to the ongoing training and development of the team with no significant gaps in compliance with PSIAS identified.
- 6.3.8 East Renfrewshire Council's Internal Audit function **fully conforms** with standard 1200 on Proficiency and Due Professional Care.

6.4 1300 - Quality Assurance and Improvement Programme

The PSIAS state that the Chief Audit Executive must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity.

The QAIP must include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outside the organisation, and enable evaluation of the internal audit activity's conformance with the PSIAS, including the Definition of Internal Auditing and Code of Ethics. In addition, the QAIP should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The public sector requirement in the PSIAS states that results of the QAIP and progress against any improvement plans must be reported in the annual report.

- 6.4.1 Internal Audit files and reports are reviewed by the Chief Auditor prior to issue.
- 6.4.2 Client feedback is pursued by the Internal Audit function as part of an annual corporate exercise. This provides an opportunity for Council Services to provide comment to the function albeit not on an individual assignment basis.
- 6.4.3 Performance measures are reported to the Audit and Scrutiny Committee on both a quarterly and annual basis. These indicators detail performance in areas that are relevant to the delivery of an effective and efficient internal audit service. In terms of aiding scrutiny and challenge, commentary is provided in the annual report of any indicators that fall below target. A verbal update on performance against quarterly indicators is provided if required.

- 6.4.4 The last formal self-assessment of conformance with the PSIAS was carried out in 2022/2023 in preparation for the independent, external assessment, the findings from which are the subject of this report. This utilised the EQA Checklist with the corresponding QAIP intimated to Members as being available on conclusion of the external review.
- 6.4.5 East Renfrewshire Council's Internal Audit function **fully conforms** with Standard 1300 on Quality Assurance and Improvement Programme.

7. SECTION E – PERFORMANCE STANDARDS

Performance Standards describe the nature of the internal audit services being provided and provide criteria against which the performance of an internal audit function can be measured.

7.1 2000 - Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation. The internal audit activity is effectively managed when it achieves the purpose and responsibility included in the internal audit charter, it conforms with the PSIAS, its individual members conform with the Code of Ethics and the PSIAS and it considers trends and emerging issues that could impact the organisation. The internal audit activity adds value to the organisation and its stakeholders when it considers strategies, objectives and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

- 7.1.1 In March 2023, the Chief Auditor, presented a Strategic Internal Audit Plan to the Audit and Scrutiny Committee that set out a planned programme of work to be undertaken over a rolling five-year period. The Chief Auditor confirmed that she consults with both senior management and the Audit and Scrutiny Committee to understand the organisation's strategies, objectives and risks and that this is set out in documented risk assessment and planning methodologies.
- 7.1.2 This longer-term Strategic Plan is translated into an annual audit plan which aligns to the PSIAS requirement that the Plan is fixed for a period of no longer than one year. The annual plan is reviewed and discussed by the Council's Senior Management Team and approved by the Audit and Scrutiny Committee.
- 7.1.3 Progress towards completion of the Internal Audit Plan, and the individual audits contained within this Plan is reported quarterly to the Audit and Scrutiny Committee within progress reports.
- 7.1.4 Engagement with Stakeholders confirmed that the Internal Audit function added value to the organisation and that Stakeholders were given the opportunity to feed into the planning process.
- 7.1.5 In terms of best practice, it is recommended that the audit plan should incorporate a strategic high-level statement of how the internal audit service will be delivered in accordance with the Internal Audit Charter (**Recommendation 2**) and complete an assurance mapping exercise setting out how the Plan links to the Council's strategic and organisational top risks (**Recommendation 3**).
- 7.1.6 East Renfrewshire Council's Internal Audit function **generally conforms** with Standard 2000 on Managing the Internal Audit Activity.

7.2 2100 - Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

More specifically, the internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes, evaluate the effectiveness and contribute to the improvement of risk management processes and assist the organisation in maintaining effective controls by evaluating their efficiency and effectiveness and promoting continuous improvement.

7.2.1 The 2023/2024 Audit Plan presented to the Audit and Scrutiny Committee references the consideration of current and developing risks, that the corporate strategic risk register is reviewed and that a risk-based approach is taken when preparing the Plan.

7.2.2 East Renfrewshire Council's Internal Audit function **fully conforms** with Standard 2100 on Nature of Work.

7.3 2200 - Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organisation's strategies, objectives and risks relevant to the engagement.

The CIPFA Local Government Application note states that for each engagement, a brief should be prepared, discussed and agreed with relevant managers. The brief should establish the objectives, scope and timing for the assignment and its resource and reporting requirements. Audit work should be undertaken using a risk-based audit approach.

7.3.1 An audit remit is sent by the Chief Auditor at the start of each assignment that sets out objectives and timing of the audit with client agreement being secured at the outset. It is recommended that, to demonstrate fuller compliance with PSIAS, that the remit is expanded to also set out the scope of work; resources allocated; risks relevant to the engagement along with further detail as to how audit work relates to the Council's risks, strategies and objectives (**Recommendation 4**).

7.3.2 For the sample of audit assignments reviewed, standard CIPFA test programmes had been used. This provides assurance that testing covers all generic risks within an audit area albeit there is a requirement for these programmes to be amended to reflect the risks and controls within the Council's specific processes and procedures.

7.3.3 East Renfrewshire Council's Internal Audit function **generally conforms** with Standard 2200 on Engagement Planning.

7.4 2300 - Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

At each stage of the audit, auditors should consider what specific work needs to be conducted and evidence needs to be gathered to achieve the engagement objectives and support an independent and objective audit opinion. Systems should be in place to ensure that auditors obtain and record, within the working papers, sufficient evidence to support their conclusions, professional judgements and recommendations. Working papers should always be sufficiently complete and detailed to enable an experienced internal auditor with no previous connection with the audit to ascertain what work was performed, re-perform it if necessary and support the conclusions reached. The CAE should also specify how long all audit documentation should be retained, whether held on paper or electronically. All audit work should be subject to an appropriate internal quality review process.

Internal auditors must be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest when performing their individual audits. They must also have sufficient knowledge to identify indicators that fraud or corruption may have been committed.

- 7.4.1 The Internal Audit Manual sets out the procedure in relation to undertaking a planned audit, including the preparation of working papers and setting up of files. All audit activity is required to be conducted in a clear, concise and logical manner.
- 7.4.2 A sample electronic file was viewed that demonstrated working papers were set out in a structured and compliant manner utilising standard CIPFA testing matrices. The file evidenced a full audit trail that included expected controls; actual controls; test controls and test results and evidenced a robust process around the performance of audits.
- 7.4.3 An example of a review schedule was also provided as evidence of the review and supervisory role within the function as part of the audit process.
- 7.4.4 Extracts from the audit manual were provided that set out record management arrangements. A retention schedule is in place to ensure there is a consistent and controlled process around the retention of files for a stipulated period of time. Registers were advised to be retained detailing dates of disposal and an extract from the audit manual was provided that detailed the requirement to confidentially dispose of records.
- 7.4.5 East Renfrewshire Council's Internal Audit function **fully conforms** with Standard 2300 on Performing the Engagement.

7.5 2400 - Communicating Results

The basic aims of every internal audit report should be to:

- *give an opinion on the risk and controls of the area under review, building up to the annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;*
- *prompt management to implement the agreed actions for change leading to improvement in the control environment and performance; and*
- *provide a formal record of points arising from the audit and, where appropriate, of agreements reached with management, together with appropriate timescales.*

Each report should include the scope and purpose of the audit to help the reader to understand the extent, or limitations, of the assurance(s) provided by the report. During the course of the audit, key issues should be brought to the attention of the relevant manager to enable them to take corrective action and to avoid surprises at the closure stage. Before issuing the final report, the internal auditor should normally discuss the contents with the appropriate levels of management to confirm the factual accuracy, to seek comments and to confirm the agreed management actions. A draft report is useful for this purpose. Recommendations should be prioritised according to risk. The recommendations and the resultant management action plans should be agreed prior to the issue of the final report. Any areas of disagreement between the internal auditor and management that cannot be resolved by discussion should be recorded in the action plan and the residual risk highlighted. Those weaknesses giving rise to significant risks that are not agreed should be brought to the attention of a more senior level of management and the board.

As set out in the PSIAS, the CAE must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. This must include the annual internal audit opinion concluding on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and a statement of conformance with the PSIAS and the results of the internal audit QAIP.

- 7.5.1 An Internal Audit report is issued at the conclusion of each audit assignment. This provides the reader with the background to the audit and sets out the scope of work undertaken. A high-level summary precedes more detail in relation to findings in areas where there are recommendations. Recommendations are captured within an action plan with a risk rating attached along with details of the responsible officer and a date for completion. It is recommended that audit reports record a formal audit opinion that aligns to the various classifications of audit opinion within the annual report (**Recommendation 5**). This would allow the Audit and Scrutiny Committee to map how individual audit reports inform the overall opinion expressed within the Annual Report.
- 7.5.2 Ahead of a final report being distributed, a draft report is issued to clients to confirm factual accuracy. Audit clients then have a period of time to respond and advise of responsibilities and dates for the implementation of actions.
- 7.5.3 The Internal Audit Annual Report forms part of the Council's governance arrangements and informs the Council's Annual Governance Statement (AGS). The draft 2022/2023 AGS was presented to the Audit and Scrutiny Committee in June 2023 and included reference to the Chief Auditor providing an independent opinion on the adequacy and effectiveness of the system of internal control but did not state that opinion. It is noted that the formal audit opinion was expressed in the final 2022/2023 AGS presented to the Committee in September 2023. It is recommended that the timing of the presentation of Internal Audit's Annual Report should be aligned to that of the Committee receiving the Council's draft unaudited accounts so that the Chief Auditor's opinion, for the relevant financial year, is captured within the draft Accounts (**Recommendation 6**).
- 7.5.4 East Renfrewshire Council's Internal Audit function **generally conforms** with Standard 2400 on Communicating Results.

7.6 2500 - Monitoring Progress

The PSIAS place responsibility for monitoring progress with the CAE to ensure that management actions have been effectively implemented or, if not, that senior management have accepted the risk of not taking action. The CAE must, therefore, implement a follow-up process for ensuring the effective implementation of audit results or ensuring senior management are aware of the consequences of not implementing an action point and are prepared to accept the risk of such consequences occurring. The results of this process should be communicated to the board. The CAE should develop escalation procedures for cases where agreed actions have not been effectively implemented by the date agreed. These procedures should ensure that the risks of not taking action have been understood and accepted at a sufficiently senior management level. The effective involvement of the board in the follow-up process is critical to ensuring that it works. The CAE should consider revising the internal audit opinion in light of findings from the follow-up process. The findings of follow-up reviews should inform the planning of future audit work.

- 7.6.1 A process has been developed around the follow-up of audit actions and reporting of such to senior management and the Audit and Scrutiny Committee. This process was found to be robust and comprehensive and reported in sufficient detail to highlight outstanding actions and the risks attached to a delay in implementation.
- 7.6.2 East Renfrewshire Council's Internal Audit function **fully conforms** with Standard 2500 on Monitoring Progress.

7.7 2600 - Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, they must discuss the matter with senior management. If the chief audit executive determines that the matter has not been

resolved, they must communicate the matter to the board. It is not the responsibility of the chief audit executive to resolve the risk.

7.7.1 Reports to management and the Audit and Scrutiny Committee are communicated directly by the Chief Auditor who has free and unfettered access to the Chief Executive and the Chair of the Audit Committee. An annual Internal Audit opinion on the overall adequacy and effectiveness of the council's governance, risk management and control arrangements is presented by the Chief Auditor to senior management and the Board and this opinion is incorporated within the Council's final AGS.

7.7.2 East Renfrewshire Council's Internal Audit function **fully conforms** to the Standard on Communicating the Acceptance of Risk.

Yvonne Douglas
Audit and Compliance Manager
South Lanarkshire Council
7 December 2023

APPENDIX A – SUMMARY OF ASSESSMENT

REF	PAGE No.	ASSESSMENT AREA	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Section A	4	Mission of Internal Audit and Core Principles				
Section B	4	Definition of Internal Auditing				
Section C	4	Code of Ethics				
Section D	4	ATTRIBUTE STANDARDS				
1000	5	Purpose, Authority and Responsibility				
1100	5	Independence and Objectivity				
1200	6	Proficiency and Due Professional Care				
1300	7	Quality Assurance and Improvement Programme				
Section E	8	PERFORMANCE STANDARDS				
2000	8	Managing the internal Audit Activity				
2100	8	Nature of Work				
2200	9	Engagement Planning				
2300	9	Performing the Engagement				
2400	10	Communicating Results				
2500	11	Monitoring Progress				

2600	11	Communicating the Acceptance of Risks				
TOTALS			9	5		

APPENDIX B – EVIDENCE PACK

- Completed EQA checklist
- Annual Report 2021/2022 and minute
- Organisation Chart
- Internal Audit Charter and minute
- Follow up reports example
- Annual Governance Statement
- Clearance of objectives examples
- Procedures for updating Plan
- Annual plan 2022/2023 and minute
- Progress report examples
- Audit and Scrutiny Committee report and minute
- Details of staff qualifications
- Performance appraisal process
- Confirmation of independence
- Financial Regulations extract
- Audit and Scrutiny Committee Terms of Reference
- Employee code of conduct
- Examples of audit reports
- Chief Auditor job description
- Training records
- Review Points
- Retention schedule and records management policy
- Anti-fraud procedure extract
- External PSIAS assessment audit committee report (2018)
- Client feedback
- Service Level Agreement (East Renfrewshire Culture and Leisure)
- Stakeholder questionnaire
- Interview with Senior Auditor

APPENDIX C – STAKEHOLDER QUESTIONNAIRES

Stakeholder questionnaires were completed by the following key members of staff and Elected Members:

- Lorraine McMillan (Chief Executive)
- Margaret McCrossan (S95 Officer, Head of Accountancy)
- Gerry Mahon (Monitoring Officer, Chief Officer Legal and Procurement)
- Cllr Andrew Morrison (Chair of Audit and Scrutiny Committee)

APPENDIX D – ACTION PLAN

No.	Para	Recommendation	Management Response	Responsible Officer / Agreed Completion Date
1	6.1.1	<p>The Charter should be updated to reflect the revised PSIAS (2017) and reviewed to:</p> <p>include a statement regarding the Mission of Internal Audit and to:</p> <p>provide a definition of the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation.</p>	Agree to update Charter to reflect requirements as stated in PSIAS	Chief Auditor June 2024
2	7.1.5	The audit plan should incorporate a strategic high-level statement of how the internal audit service will be delivered in accordance with the Internal Audit Charter.	Agreed	Chief Auditor June 2024
3	7.1.5	An assurance mapping exercise of how the Internal Audit Plan links to the organisation's strategic and organisational top risks should be completed and presented along with the Annual Plan each year.	Consideration will be given to providing narrative on how the internal audit plan links to the organisation's strategic top risks where appropriate.	Chief Auditor June 2024
4	7.3.1	Audit remits should be expanded to include the scope of work; resources allocated; risks relevant to the engagement along with further detail as to how audit work relates to the Council's risks, strategies and objectives.	Agree to extend audit remits to include scope, resources and risks. Will consider adding reference to Council's risks and strategies where relevant.	Chief Auditor June 2024
5	7.5.1	Audit reports should record a formal audit opinion that align to the various classifications of audit opinion within the annual report.	Agreed, I will implement this for 2024/25 audits.	Chief Auditor April 2024
6	7.5.3	The timing of the presentation of the Internal Audit Annual Report should be aligned to that of the Committee receiving the Council's draft unaudited accounts so that the Chief Auditor's opinion, for the	The Chief Auditor will aim to submit the Internal Audit Annual Report to the June meeting of the Audit and Scrutiny Committee each year where possible.	Chief Auditor June 2024

		relevant financial year, is captured within the draft Annual Governance Statement (AGS).		
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	Critical
	Significant
	Routine