

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 20 June 2024.

Present:

Councillor Andrew Morrison (Chair)
Councillor Tony Buchanan (Vice Chair)
Councillor Paul Edlin

Councillor David Macdonald *
Provost Mary Montague *
Councillor Gordon Wallace

Councillor Morrison in the Chair

(*) indicates remote attendance

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer)*; Louise Pringle, Director of Business Operations and Partnerships; Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; Kath McCormack, HR Manager; Morag Brown, Strategic Services Senior Lead; Debbie Hill, Chief Procurement Officer; Aidan Holligan, Strategic Services Assistant; Linda Hutchison, Clerk to the Committee; and Victoria Harkness, Democratic Services Officer.

Also Attending:

Grace Scanlin, Ernst and Young *.

Apology

Councillor Annette Ireland.

DECLARATIONS OF INTEREST

877. There were no declarations of interest intimated.

CHAIR'S REPORT

878. Councillor Morrison reported that, further to discussions he had had with the Chief Executive on the Committee's future Work Plan at his request, he had reviewed what was proposed to include with the Democratic Services Manager and Senior Democratic Services Officer who clerked the Committee. He highlighted that the Committee would consider the 2024/25 Work Plan, to the extent it had been developed thus far, later in the meeting, which included the range of standard items the Committee discussed each year.

Referring to a further item to be considered on the Agenda, on behalf of the Committee, Councillor Morrison thanked the Chief Accountant and her team for the work they had done preparing the draft unaudited Annual Accounts.

The Committee noted the position.

2023/24 UNAUDITED ANNUAL ACCOUNTS

879. Under reference to the Minute of the meeting of 28 March 2024 (Page 810, Item 798 refers), when the 2023/24 Annual Audit Plan and timetable for publication of related documents had been noted, the Committee considered a report by the Head of Accountancy (Chief Financial Officer) on the unaudited Annual Accounts for 2023/24 which had been submitted for audit to Ernst & Young, and were attached to the report for consideration in line with the Local Authority Accounts (Scotland) Regulations 2014.

It was reported that the Council's financial affairs had again been managed within its operational budget, returning departmental budget surpluses totalling £6.878m, much of which were of a one-off nature. A total of £6.2m had been allocated to various earmarked reserves to address current pressures faced by the Council, including £1m each to the Repairs and Renewals fund and Capital reserve which both sat out-with the General Fund, £2m to the Modernisation Fund, and £600k to the Employee Wellbeing Fund. The balance of £678k was to be retained in the Non-Earmarked General Reserve. The level of that Reserve equated to 2.3% of the annual budgeted net revenue expenditure, which was within the recommended range of 2-4%.

It was confirmed that the Council's overall General Fund reserve balances, after the allocations referred to above, totalled £41.8m, which represented a decrease of £10.314m from 2022/23, the reasons for which were summarised. £46,485k of Capital expenditure had been invested, and there had been an operating deficit of £97k on the Housing Revenue Account (HRA), which had decreased the accumulated surplus balance to carry forward to £1,701k.

Whilst commenting on key aspects of the report, the Chief Accountant referred to a typographical error on Page 22 of the Accounts, clarifying that the heading of the third column of the table featured there should have referred to 2023/24 rather than 2022/23. She confirmed the position regarding the operational budget and various budget savings, which were mainly of a one-off nature and related to increased income, including interest earned on temporary investment balances and the recovery of a VAT appeal from HMRC dating back to 2006. There were also savings relating to utilities and the catering service within the Education Department along with staff vacancies. The position on capital expenditure and the HRA was also referred to, as was the management commentary.

In response to Councillor Wallace, the Chief Accountant confirmed that loan charges were reduced when expenditure was not as high as planned, referring to the accrual of funds to help even out loan charges incurred.

Councillor Morrison sought clarification on whether or not the Devolved School Management Reserve would provide sufficient funding to enable the Breakfast Cart service based at Neilston Primary School to continue in future, highlighting that it also served other schools and was being sustained through COVID funding until the end of June 2024. The Chief Accountant undertook to seek and provide further clarification on this following the meeting.

The Committee agreed to note:-

- (a) that the Chief Accountant would seek and provide clarification following the meeting on whether or not the Devolved School Management Reserve would provide sufficient funding to enable the Breakfast Cart service based at Neilston Primary School, which was being sustained through COVID funding until the end of June 2024, to continue; and
- (b) otherwise, the content of the unaudited Annual Accounts for 2023/24 subject to the typographical amendment referred to at the meeting, in respect of which a report on the final Accounts and related documents would be submitted to a future meeting of the Committee in due course.

CODE OF CORPORATE GOVERNANCE

880. Under reference to the Minute of the meeting of 22 June 2023 (Page 560, Item 498 refers), when the Code of Corporate Governance actions for 2023/24 had been approved, the Committee considered a report by the Director of Business Operations and Partnerships providing an update on progress against improvement actions since then, and seeking approval of a new Code for 2024/25.

The report reiterated the Council's responsibilities for the conduct of its business, defined what the Code of Corporate Governance was, and explained that the proposed updates took account of guidance from CIPFA and the Society of Local Authority Chief Executives (SOLACE), *Delivering Good Governance in Local Government*. The report referred to requirements which the Council should complete under the framework.

The report summarised progress on the 2023/24 actions, highlighting that seven improvement activities listed had been completed and those which had been carried forward into the 2024/25 Plan. The updated Code for 2024/25, setting out arrangements which demonstrated how the Council fulfilled the seven governance principles outlined in national guidance, was appended to the report. Self-assessment against the nationally prescribed criteria had found the Council to be compliant across the principles other than in a very small number of areas where there was partial compliance pending some actions being taken over the forthcoming months. Some further actions were also being taken to enhance compliance with the Code.

Having commented on the Annual Governance Statement to be published in the Annual Report and Accounts later in the year, the report concluded that the Council was governed by sound and effective internal management controls, and continued to demonstrate compliance with the requirements of the CIPFA/SOLACE framework. Progress on planned actions for 2023/24 had been posted on the Council's website, as would the 2024/25 Code, subject to it being approved by the Committee.

The Strategic Services Senior Lead highlighted key issues within the report, during which she confirmed that the CIPFA/SOLACE framework remained unchanged and emphasised the importance of the Council's Corporate Governance arrangements. She provided further clarification on the action to be taken to deliver full compliance with the Code, confirming that a review of the Council's Schemes of Administration and Delegated Functions was to be undertaken and that work was also to be progressed to review the Council's strategic and community planning frameworks and governance arrangements following approval of the Council's long term vision in September.

In response to Councillor Wallace who sought clarification on the Council's approach to the Code of Governance relative to that of other local authorities, the Strategic Services Senior Lead referred to the outcome of an extensive review of the Code undertaken in 2023, confirming that the document had been streamlined as a result, and that the main body of the document now comprised high-level evidence associated with requirements, appended to which was a comprehensive list of evidence in a matrix. She added that although no document specified what best practice regarding the Code was considered to be, how issues were assessed against the governance principles demonstrated compliance with them. The Director of Business Operations and Partnerships confirmed that there were no concerns regarding the postponement of the review of the Council's Standing Orders, the delay having been attributable to staffing changes within Democratic Services and the need for that section to prioritise General Election related work.

Councillor Morrison sought clarification on whether or not the Investment for the Future reserve could be used to fund an acceleration of the development of the interface between Housing's Servitor system and the Council's Intergra financial system. In reply, the Director of Business Operations and Partnerships referred to ongoing work on this which was at an early stage, explained that the development of the interface was focused on capacity issues, and stated that there was a need to determine if the interface would realise the intended benefits such as through testing. Having clarified that the timing of that work was under consideration, she stated that there were already key workers who had the skills to carry out the required work, and that the use of the Modernisation Fund could be explored if necessary to assist with this work in the first instance rather than the Investment for the Future reserve.

The Committee:-

- (a) noted progress on the 2023/24 Code of Corporate Governance improvement actions; and
- (b) approved the Code of Corporate Governance updates and actions for 2024/25.

CONSULTANCY EXPENDITURE

881. Under reference to the Minute of the meeting of 23 May 2023 (Page 514, Item 450 refers), when the Committee had noted a report on the log maintained regarding the appointment of consultants for the 2022/23 financial year and that further such reports would be submitted after the end of each financial year, the Committee considered a report by the Clerk referring to discussions by the Committee thus far on such expenditure, and providing feedback on consultancy expenditure for the 2023/24 financial year. A copy of the most recent log was appended to the report, which had also been published on the Council's website.

Having heard the Clerk highlight key aspects of the report, in response to Councillor Morrison the Chief Procurement Officer summarised reasons for consultancy expenditure on employer agent and quantity surveyor services for Council new build projects, confirming that external engagement of such services was only considered when it had been determined that there was insufficient capacity in-house. Further in response to him and Councillor Edlin, the Director of Business Operations and Partnerships confirmed that the on-going capacity problem regarding such services was one which was to be discussed further during the year in terms of workforce planning, and the Chief Procurement Officer clarified that external fee charges by such consultants under framework documents were considered whenever such consultants were to be appointed to determine that Best Value was being secured. In response to Councillor Wallace, the HR Manager confirmed that, as for all officers, the rates of pay for those providing such services in-house, were determined under the Council's job evaluation

scheme. She added that the same scheme was used by the majority of local authorities in Scotland, and that there was liaison with COSLA in situations where there were problems filling certain posts. Speaking generally, Councillor Buchanan referred to the holistic approach being taken to developing workforce skills across Scotland which included considering apprenticeships as promoted by Skills Development Scotland and the promotion of lifelong learning.

In response to Councillor Wallace who referred to consultancy costs associated with the new Leisure Centre to be built in Eastwood Park, the Head of Accountancy (Chief Financial Officer) confirmed that these were regarded as capital costs, and that some of the work involved was for designing the facility whilst other aspects of consultancy concerned the overall management of the project and ensuring it remained on track. Also in reply to him, the Chief Procurement Officer outlined, in general terms, the approach taken to determine which consultants to use for various types of work, such as concerning active travel initiatives. Replying to an issue raised by Councillor Morrison, the Head of Accountancy (Chief Financial Officer) commented that there were times when external consultants had to be engaged due to the lack of sufficient internal capacity to progress projects.

In response to Councillor Morrison, the HR Manager confirmed that a policy had been put in place to guard against former employees setting up consultancy firms and seeking to engage with their former authority for work, explaining that under the policy an Inland Revenue 35 checklist had to be completed.

The Committee noted the report and that a further report on such expenditure would be submitted to the Committee after the end of the 2024/25 financial year.

INTERNAL AUDIT REPORT ON PAYROLL

882. Under reference to the Minute of the meeting of 9 May 2024 (Page 514, Item 450 refers), when it had been agreed that an appropriate senior officer responsible for Payroll would attend a future meeting to provide further clarification on how the Payroll Section was addressing various issues that fell within its responsibility to control and address in relation to the payroll system as identified in the Internal Audit Report on Payroll, Councillor Morrison welcomed the HR Manager to the meeting.

Whilst providing clarification on and responding to various issues raised on overpayments at the Committee's meeting in May, the HR Manager assured the Committee that these had been discussed in detail with the Corporate Management Team, that new processes had been implemented, and that work on a small number of cases was ongoing. Having clarified the number of transactions processed by Payroll both monthly and annually and the total value of these, she confirmed that the issue identified by Internal Audit had affected some employees on multi-week patterns, emphasising that this had not been an unimportant issue but that it had not been at a material level. She confirmed it had affected approximately 100 employees on a one-off basis when they had either started or left the Council's employment, that the value of the overpayments and underpayments were £4k and 2k respectively, and that this had not been a recurring issue for the individuals concerned. She added that the Council had worked with the supplier to implement a permanent solution, reporting that the supplier was monitoring the position using the Council's corporate contract and supplier management model, and that the Council was continuing to work closely with the supplier.

Regarding the clarification sought by the Committee on overpayments made to employees and the process for reclaiming these, the HR Manager reported that the rate of overpayments made as a proportion of transactions processed per year was 0.07%, the industry rate being 3% according to the Chartered Institute of Payroll. Having cited various reasons for overpayments which included late or lack of notification of leavers, sickness absences or

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contractual changes, duplicate timesheets or overtime sheets being submitted and approved and system errors, she stressed that Payroll had always worked to recover overpayments. However it had been recognised that, in order to reduce overpayments further, there was a need to raise awareness of how to address this. Therefore a new Treatment of Payroll Overpayments and Underpayments Policy had been introduced in 2024 to tackle this, prior to which engagement with the Trade Unions and departments on it had taken place.

The HR Manager reported that £62k worth of overpayments were being actively recovered through salary deductions, and that regular overpayment reports were now shared with Heads of Service allowing services to address the root cause of issues and determine if they were attributable to human error or any underlying process or system issues. In respect of an issue raised at the previous meeting on Statutory Sick Pay and whether calculation of this was in line with HMRC guidance, she confirmed that this had been checked, through which it had been determined that the system was calculating this correctly.

In conclusion, she assured the Committee that necessary corrective action had been taken on the issues raised, that her section was continuing to work closely with Internal Audit, and that management had taken the issues identified incredibly seriously.

Councillor Edlin thanked the HR Manager for the clarification provided, which he considered reassuring, and welcomed the contextual information provided on the overpayment rate.

Thereafter, in response to Councillor Morrison, the HR Manager outlined action taken to make improvements to the process for dealing with those leaving the Council, commenting on work done on this with Internal Audit, the electronic leavers form and reports sent to IT regarding such employees which were complemented by direct communications between managers and the IT service to ensure access to systems was removed. She confirmed that regular overpayment reports were now shared with Heads of Service and that related follow up work was done with sections if there were considered to be any related problems. The Director of Business Operations and Partnerships added that, taking account that issues regarding leavers had been raised on various occasions, scoping work had commenced to map out the leavers process, the aim being to determine if any digital solutions could be deployed to make improvements and develop a less disjointed and more integrated approach. She confirmed that work was already done regularly to disable dormant accounts and prevent inappropriate access to systems.

The Committee noted the position and related comments made.

AUDIT AND SCRUTINY COMMITTEE 2023/24 AND 2024/25 WORK PLANS

883. Under reference to the Minute of the meeting of 11 May 2023 (Page 849, Item 845, refers), when the Committee had noted that a report on performance against the Committee's 2023/24 Work Plan would be submitted to a future meeting, the Committee considered a report by the Clerk providing an update on the 2023/24 Work Plan and related performance, and seeking approval of the 2024/25 Work Plan to the extent it had been developed thus far.

It was confirmed that such Plans helped the Committee schedule and prioritise its work over the course of each year, that development of such Plans continued throughout the year, and that they included reference to recurring reports considered annually, such as on treasury management, Internal Audit work and risk management.

The Committee, following discussion on the importance of it taking an apolitical approach, agreed to:-

- (a) note performance against the Committee's 2023/24 Annual Work Plan;
- (b) approve the 2024/25 Annual Work Plan, to the extent it had been developed thus far;
- (c) note that development of the 2024/25 Work Plan would continue; and
- (d) note that performance on delivering the 2024/25 Work Plan would be reviewed by the Committee in due course, in respect of which a report would be submitted to a future meeting.

CHAIR

