

**MINUTE**  
**of**  
**AUDIT & SCRUTINY COMMITTEE**

**Minute of virtual meeting held at 2.00pm on 25 June 2020.**

**Present:**

Councillor Stewart Miller (Chair)  
Councillor Barbara Grant (Vice Chair)  
Councillor Angela Convery

Councillor Charlie Gilbert  
Councillor Annette Ireland

Councillor Miller in the Chair

**Attending:**

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; Gill Darbyshire, Chief Executive's Business Manager; Linda Hutchison, Clerk to the Committee; Ron Leitch, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

**Also Attending:**

Pauline Gillen and Morven Fraser, Audit Scotland.

**Apologies:**

Councillors Jim McLean and Jim Swift.

**DECLARATIONS OF INTEREST**

**1289.** Councillor Grant declared a non-financial interest in relation to Item 1292 by virtue of her membership of the East Renfrewshire Culture and Leisure Trust Board.

**CHAIR'S REPORT**

**1290.** Councillor Miller welcomed everyone to the first virtual meeting of the committee, particularly Councillor Convery who had been appointed following the resignation of Provost Fletcher. He highlighted the importance of the committee taking a non-political approach, and the scale of its work as evidenced in the committee's work plans.

Referring to Item 4 on the agenda pertaining to the Council's unaudited Annual Accounts for 2019/20, Councillor Miller congratulated the Head of Accountancy, the Chief Accountant, and her team for submitting these to the committee prior to the recess given the challenges faced in the current circumstances. He also paid tribute to the Corporate Management Team which

had helped to deliver a financial result which was better than expected, and which would help to mitigate the additional costs associated with the COVID-19 pandemic. He concluded by highlighting that the Emergencies Committee had been made aware of the work that officers throughout the Council had undertaken associated with the pandemic.

The committee noted the position.

## **UNAUDITED ANNUAL ACCOUNTS 2019/20**

**1291.** Under reference to the Minute of the meeting of 12 March 2020 (Page 1156, Item 1248 refers), when the 2019/20 Annual Audit Plan and timetable for the 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 2019/20 which had been submitted for audit to Audit Scotland, and which were attached for consideration in line with the Local Authority Accounts (Scotland) Regulations 2014.

It was reported that the financial position of the Council continued to be satisfactory. As it had operated comfortably within budget, there had been no need to draw down all of the £4,312,000 from reserves as planned, with only £964,000 being called upon. The Council's Non-Earmarked General Fund Reserve had decreased by £964,000 resulting in a balance of £9,590,000 as at 31 March 2020, representing 3.8% of the annual budgeted net revenue expenditure. This was slightly below the Council's most prudent target of 4%, but better than forecast when the budget for 2020/21 had been set. However, it was anticipated that the balance would reduce significantly during 2020/21 to cover unfunded pressures relating to COVID-19.

It was confirmed that £47,841,000 of capital expenditure had been invested. There had also been an operating surplus of £598,000 on the Housing Revenue Account (HRA) which had increased the accumulated surplus balance to carry forward to £2,316,000.

The Head of Accountancy welcomed that the accounts had been submitted to the committee within the planned timescale, commenting on the work involved in preparing them and particular challenges faced associated with the COVID-19 emergency. She thanked officers in the Accountancy Section, across departments, and particularly the Chief Accountant, for their contribution to this achievement.

She clarified that due to the current public health situation, some technical issues had required to be dealt with differently, such as the estimation of some valuations and stock levels, the approach taken having been discussed and agreed with the External Auditor. Having commented on new rules governing the preparation of the Management Commentary within the accounts, the Head of Accountancy referred to the overall position regarding reserves and the overall financial position of the Council for 2019/20 which remained satisfactory and better than anticipated a few months earlier.

Whilst referring to key aspects of the report, the Chief Accountant confirmed that the Council's affairs had been managed within its operational budget, and commented on the related impact of this on the use of reserves. Having commented on capital expenditure and the HRA's surplus balance, she drew the committee's attention to the Management Commentary in the accounts which outlined key messages on the objectives and strategy of the Council and the Council's financial performance during 2019/20. The commentary also indicated issues and risks which might impact on the Council's finances in future, including COVID-19, on which a section had been included.

Ms Gillen commended the preparation of the Accounts within the required timescale, highlighting that many other audited bodies had not been able to achieve this.

Various Members expressed their appreciation to the Accountancy Team and other officers for what had been achieved, during which Councillor Grant expressed hope that the Council would receive a fair share of any additional funding from the UK and Scottish Governments to mitigate the financial impact of the COVID-19 emergency on the authority.

The committee agreed to note the content of the unaudited Annual Accounts for 2019/20 and that a report on the final accounts and related documents would be submitted to a future meeting.

### **EAST RENFREWSHIRE CULTURE AND LEISURE TRUST – BEST VALUE REVIEW**

**1292.** Under reference to the Minute of the meeting of 21 November 2019 (Page 1027, Item 1110 refers), when it had been agreed to note the scope and timeline of the Best Value review of East Renfrewshire Culture and Leisure Trust and that the findings would be reported to the committee in due course, the committee considered a report by the Chief Executive providing the final report on the review, a copy of which was appended to the report.

Having clarified that the scope and timeline of the review had been agreed in October 2019 by the Chief Executive, Director of Education and Chief Executive of the Trust, the report explained that the review had considered the Trust's core objectives relating principally to finance, governance, performance and improvement, customer responsiveness, and social inclusion. These objectives reflected the shared objectives of the Council's Outcome Delivery Plan, the Community Plan, and the Fairer East Ren Plan. Commentary on each of these areas was provided, and a number of recommendations had been made for both the Trust and Council to consider.

It was highlighted that, with support from the Scrutiny and Evaluation Officer, the review had been undertaken between January and March 2020 prior to the onset of the COVID-19 pandemic, but that the Trust now found itself in a very different position with most employees furloughed, buildings closed, and work and activities suspended. Given that the focus over the next few months would be on recovery and addressing related challenges, it was proposed that the Director of Education, in partnership with the Chief Executive of the Trust, consider and review the current recommendations made and advise the committee of the outcome at a future date.

The report concluded that the Trust's goals had been continuing to be met through support from the Council, the strategic direction of the Trust Board and its senior management, and a well-trained and committed workforce. Based on evidence provided within the report, although some opportunities for further improvement had been identified, the Trust had made significant progress in a number of areas. The working relationship between the Trust and the Council was reported to be very positive, based on mutual respect and understanding.

Whilst highlighting key aspects of the report, the Chief Executive's Business Manager reminded the committee that in August it had approved the deletion of the audit of the operation of the Trust from the 2019/20 Internal Audit Plan on the basis that the Scrutiny and Evaluation Officer would progress the Best Value review. Having heard her highlight key aspects of the report, on behalf of the committee, Councillor Miller expressed thanks to the former Scrutiny and Evaluation Officer for his work on the review. He welcomed the findings, acknowledged the difficult position the Trust was in at present, suggesting it was likely that it would face a funding deficit during 2020/21.

The committee agreed:-

- (a) to note the current recommendations contained within the Best Value Review of East Renfrewshire Culture and Leisure Trust; and
- (b) that in light of the current COVID-19 pandemic, the Director of Education in partnership with the Chief Executive of the Trust review the recommendations within the report, and advise which were still valid in a report to a future meeting of the committee.

## **NATIONAL EXTERNAL AUDIT REPORT – NHS IN SCOTLAND**

**1293.** The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *NHS in Scotland* which under the committee's specialisation arrangements had been sent to Councillor Gilbert for review, the other Elected Member who was also leading on the review having resigned from the committee. The Chief Officer, Health and Social Care Partnership, had been asked to provide comments on the report and a copy of her feedback was appended to the report. These were contained in a report that had been prepared and published for a meeting of the Performance and Audit Committee of the Integration Joint Board which had been scheduled to take place on 18 March 2020, but which had not taken place due to the ongoing circumstances relating to COVID-19. It was clarified that the feedback also covered a further Audit Scotland report entitled *Local Government in Scotland Financial Overview 2018/19*, which had already been the subject of a separate report to the committee on 12 March 2020.

The Audit Scotland report had explained that the NHS in Scotland was not currently in a financially sustainable position, commenting on issues such as an increase in predicted deficits among NHS boards, and their increasing reliance on savings and additional financial support through Scottish Government loans. It welcomed the Scottish Government's recent health and social care medium-term financial framework and other measures, including the Waiting Times Improvement Plan, but stated that ambitions within the Scottish Government's 2020 Vision would not be achieved by 2020. Pace of change, particularly through the integration of health and social care, had been found to be too slow, with the report calling for a new national health and social care strategy, stronger workforce planning, better information and data for performance reporting and planning, and better community involvement and engagement.

Having summarised the position on a number of elements identified within the report as critical to success, such as the need for reform to address a £1.8 billion funding shortfall projected by the Scottish Government for health and social care by 2023/24; and the Scottish Government working with NHS staff, partners and the public to develop its new strategy for health and social care, the report referred to various recommendations made. Recommendations for the Scottish Government in partnership with NHS boards and integration authorities were amongst those specified, which included the development of a new national health and social care strategy to run from 2020 that supported large-scale, system-wide reform, with clear priorities that identified the improvement activities most likely to achieve the reform needed; and the development and publication of the national, integrated health and social care workforce plan and guidance. Local actions taken in response to the recommendations were detailed in an appendix accompanying the report.

In response to Councillor Ireland who referred to the scale of the work to be taken forward and asked when further external audit reports on progress would be available, Ms Gillen

clarified that Audit Scotland was reviewing its 5-year work programme in light of the disruption caused by COVID-19, and that further information on the programme would be available in due course.

The committee agreed to note the report and the related comments made.

### **NATIONAL EXTERNAL AUDIT REPORT - HOUSING BENEFIT PERFORMANCE AUDIT: ANNUAL UPDATE 2019**

**1294.** The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Housing Benefit Performance Audit Annual Update 2019* which under the committee's specialisation arrangements had been sent to Councillors Swift and McLean for review. The Head of Communities, Revenues and Change had been asked to provide comments on the report and a copy of her feedback was appended to the report.

The report commented on the scale of the Council's Housing Benefit (HB) service and related issues, referring also to the national HB Performance Audit produced annually by Audit Scotland. Having clarified that the Council had most recently participated in a HB risk assessment in summer 2018 on which a report had been submitted to the committee in January 2019 and the results of which were published in the 2019 update, the report provided an update on progress within the Council's HB service.

The 2019 Annual Update had identified 21 risks to continuous improvement, 8 of which were relevant to the Council. Having commented on the complexity of this area of work which required many changes to be planned for and resourced whilst maintaining current service provision, the report confirmed that in recent years the local focus had been on planning for the shift from HB to Universal Credit (UC) for the majority of cases below pension-age. For example, this had required restructuring and consolidation of benefits services; delivering savings predicated on a forecast of a declining HB caseload; and developing staff to enhance the resilience of the small team involved. The outcome of the 2018 report had led to a full process review with action plans developed during 2019 and continuing to be delivered into 2020. Comments were made on the 8 areas on which action had been required locally, including on the speed of processing new claims and changes of circumstances; and the accuracy of HB processing.

It was concluded that Benefits was a complex and frequently-changing area, with a nationally driven landscape and a range of agencies involved. National delays in UC implementation had required HB caseloads to be maintained for far longer than predicted. Against a background of reducing DWP funding and wider pressures on council budgets, it continued to be a challenging time for service delivery both locally and nationally, but the Council had progressed initiatives to understand and improve benefits processing. A firm action plan had been put in place which was starting to deliver results, and the Council remained committed to continuous improvement and high degrees of accuracy. It was anticipated that the current COVID-19 pandemic would have some impact on performance results during 2020/21. The implementation of the new Council Tax and Benefits system in 2020/21 would ensure that improvements made were embedded, supported by up to date technology, to enable the Council's benefits teams to continue to deliver improved performance and meet customer expectations.

Councillor Ireland expressed her appreciation for and welcomed the good performance improvements reported. Whilst also welcoming this, Councillor Miller referred to the impact which the COVID-19 pandemic was likely to have on levels of household debt.

The committee agreed to note the report and the related comments made.

**INTERNAL AUDIT PLAN 2019/20 – IMPLEMENTATION PROGRESS REPORT – JANUARY TO MARCH 2020**

**1295.** The committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2019/20 Internal Audit Plan from 1 January to 31 March 2020. It was confirmed that during the quarter nine audit reports relating to planned 2019/20 audit work had been issued, that satisfactory management responses had been received for all reports where the due dates for these had passed, and that the management responses for the remaining two which had not been received until after the cut-off date for inclusion in the report had passed would be referred to in the next quarterly report. Reference was also made to the quarterly performance indicators (PIs) for the section, two of which were not being met as a result of the restrictions imposed to address the COVID-19 situation, and two new requests for assistance dealt with using contingency time.

Seven audits in the 2019/20 plan, where fieldwork had started and progressed, had not yet been issued. It was hoped two could be completed over the forthcoming few weeks, leaving five which required to be suspended due to COVID-19 restrictions and lack of access to relevant officers and supporting documentation. It was proposed that these resume or restart at a later date when lockdown restrictions had eased sufficiently.

Whilst commenting on the report, the Chief Auditor clarified that there were points that had not been accepted in the responses received thus far for both the Procurement Red Flags and Highways Maintenance reports, none of which were classified as high risk. The Head of Accountancy confirmed her intention to submit a response on the Highways Maintenance audit to the Chief Auditor by the end of the day. The Chief Auditor also confirmed that neither of the requests for assistance using contingency time had involved loss of income or cash to the Council.

Regarding the report on grounds maintenance on land not owned by the Council, the Chief Auditor highlighted that one recommendation had been only partially accepted by the Environment Department which had been asked to consider this matter in terms of Best Value. This would be followed up in due course.

The Chief Auditor confirmed her intention to submit a report to the next meeting requesting changes to the Internal Audit Plan 2020/21 approved in March, to take account of restrictions linked to COVID-19.

Responding to Councillor Grant who sought clarification on the revised timescale for completing the new Crookfur Family Centre, the Chief Auditor confirmed she did not have information on this, but the Head of Accountancy explained that the Corporate Asset Management Group was reviewing all capital projects, including that one, which had been affected by the lockdown restrictions. She explained that the project was amongst those to be prioritised for completion, and that it was anticipated that a full update on the General Fund Capital Programme would be submitted to the Cabinet in August or September.

The committee, following discussion, agreed:-

- (a) not to seek any of the reports issued during the quarter at this stage;
- (b) to approve the suspension of 5 audits due to COVID-19 restrictions; and
- (c) otherwise to note the report and related comments made.

## **CONSULTANCY EXPENDITURE AND RELATED LOG**

**1296.** Under reference to the Minute of the meeting of 24 January 2019 (Page 701, Item 765 refers), when the committee had agreed in the first instance, at the end of the 2019/20 financial year, to review the content of the log the Council had agreed to establish in relation to the appointment of consultants and related issues, the committee considered a report by the Clerk summarising discussions on consultancy expenditure by the committee thus far, and providing feedback on consultancy expenditure following the end of the 2019/20 financial year. A copy of the most recent version of log, including information relating to 2019/20, was appended to the report.

The report explained that at the meeting of the committee in November 2018, the Chair had reiterated concerns he had expressed at the Council meeting in October 2018 regarding the extent to which external consultants were being used by the authority, following which the committee had agreed to progress some work on this issue, such as on the level of and reasons for such expenditure; and which consultants had been used. It was clarified that in December 2018 the Council had taken the decision to reduce the threshold for allowing directors to appoint consultants under Contract Standing Orders from £50k to £10k, and to approve related logging arrangements.

Reference was made to work the committee had progressed during the previous Administration on consultancy expenditure during 2013/14 and 2014/15 and related issues and discussions at the time, which had also been the subject of a report to the committee by the Clerk in January 2019. Having summarised the content of that report, why the committee had progressed the work it had several years ago and the outcome of it, the report referred to feedback on the consultancy log recently sought from and provided by the Chief Officer - Legal and Procurement, as agreed by the committee, a copy of which was appended to the report. The log was also published on the corporate procurement section of the Council's website and updated on a 6-monthly basis.

The committee, having heard Councillor Miller thank the Clerk for the work she had done in this regard and following a brief discussion:-

- (a) agreed that a report on consultancy expenditure, as referred to in the log created for this by the Chief Officer - Legal and Procurement, should be submitted to the committee annually after the end of each financial year; and
- (b) otherwise noted the report.

## **AUDIT AND SCRUTINY COMMITTEE WORK PLANS 2019/20 AND 2020/21**

**1297.** Under reference to the Minute of the meeting of 26 September 2019 (Page 971, Item 1049 refers), when the committee's updated 2019/20 annual work plan had been approved, the committee considered a report by the Clerk providing an update on the implementation of the plan, and seeking approval of the 2020/21 work plan to the extent it had been developed to date. A copy of the updated 2019/20 plan and the proposed 2020/21 plan formed Appendices 1 and 2 to the report.

It was clarified that the plans had been prepared in accordance with the Scrutiny and Review Guide approved by the Council in June 2019 to help the committee schedule and prioritise its work and in the interests of providing transparency, openness and evidence of the Council's ongoing commitment to demonstrating Best Value and continuous improvement. Having referred to the range of issues considered by the committee, which included

recurring reports and those prepared on External Audit reports, the report clarified that the plans were effectively live documents which had been and would be added to as required, such as to include reference to specific investigations the committee agreed to pursue.

The report provided a statement on progress as at 31 March 2020 against the 2019/20 work plan including in-depth work pursued and, for clarity, notes on various issues such as ongoing matters to be considered during 2020/21 and beyond. The draft work plan for 2020/21, to the extent it had been possible to develop it, was also presented. Having referred to the cancellation of some recent meetings of the committee due to COVID-19 which had impacted on when some matters could be considered, the report summarised the position on the publication of external audit reports. It was confirmed that the Accounts Commission was reviewing its external audit strategy and 5-year work programme the outcome of which would be known later in the year. Reference was also made to the contribution the Scrutiny and Evaluation Officer had made to the delivery of the 2019/20 work plan, this being a resource that was no longer available to the committee.

Having heard the Clerk comment on key aspects of the report, Councillor Ireland highlighted the extent of the good work carried out by the committee during the past year, following which she sought clarification on when the position on the committee's reports on income generation and climate change would next be reported on. The Clerk clarified the current position on each report in terms of the Cabinet, and how this could impact on when the committee might wish to review progress, which would become clearer in due course.

Ms Gillen reported that Audit Scotland had recently published a report on its response to COVID-19. She undertook to provide information on this to the Clerk to allow it to be circulated to members of the committee for their interest.

On a further COVID-19 related issue, the Head of Accountancy explained that the deadline for the Council to approve its Annual Accounts for 2019/20 had been extended from the end of September to 30 November in case this was required.

The committee, having heard Councillor Miller remind Members that the 2020/21 plan could change during the course of the year, agreed:-

- (a) to note performance against the 2019/20 Annual Work Plan;
- (b) to approve the 2020/21 Annual Work Plan, to the extent it had been developed thus far;
- (c) that the development of the 2020/21 work plan should continue, with an update submitted to a future meeting; and
- (d) to note that progress on delivering the 2020/21 work plan would be reviewed in due course, with a progress report submitted to a future meeting.

CHAIR