

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 21 June 2018.

Present:

Councillor Stewart Miller (Chair)
Councillor Barbara Grant (Vice Chair)
Provost Jim Fletcher

Councillor Charlie Gilbert
Councillor Jim Swift

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Phil Daws, Head of Environment (Strategic Services); Michelle Blair, Chief Auditor; Barbara Clark, Chief Accountant; Kim Gear, Corporate Policy Officer; Linda Hutchison, Clerk to the Committee; and Jennifer Graham, Committee Services Officer.

Also Attending:

Gillian McConnachie, Audit and Risk Manager, East Dunbartonshire Council; and Elaine Barrowman and Morven Fraser, Audit Scotland.

Apologies:

Councillors Annette Ireland and Jim McLean.

DECLARATIONS OF INTEREST

480. There were no declarations of interest intimated.

CHAIR'S REPORT

481. The following matters were raised during the Chair's report:-

(i) Membership of Committee

Under reference to the Minute of the meeting of 19 April 2018 (Page 359, Item 386 refers), when it had been reported that Councillor Macdonald had resigned from the committee, Councillor Miller confirmed that Councillor McLean had been appointed to the vacant position.

(ii) Specialisation Arrangements for Dealing with External and Internal Audit Reports

Under reference to Item (i) above, having made reference to the committee's arrangements for dealing with external and internal audit reports, Councillor Miller proposed that Councillor McLean take over the remit Councillor Macdonald had held for Corporate and Community Services Department issues working with Councillor Swift. More generally, he confirmed it had already been agreed that the specialisation arrangements would be reviewed following their first full year of operation to determine if any refinements were considered required on which work would be progressed in due course.

(iii) Future Work

Under reference to the Minute of the meeting of 19 April 2018 (Page 359, Item 386 refers), when the committee's future work programme had been discussed, it was reported that Councillor Grant had suggested seeking an update on the rationalisation of Council property and buildings. He proposed that a report on this issue be requested for consideration in September regarding which he intended to ask the Clerk to seek clarification from all members of the committee on any specific issues they would want commented on within that report.

Referring to the feedback requested on potential topics for future work by the committee, Councillor Miller asked members to continue to consider this further and contact him or the Clerk regarding suggestions.

(iv) Self-Directed Support

Under reference to the Minute of the meeting of 25 January 2018 (Page 263, Item 295 refers), when it had been agreed that further statistical information on self-directed support within East Renfrewshire be sought, Councillor Miller confirmed that the Clerk had been pursuing this on the committee's behalf and had updated him periodically. He added that it had been clarified recently that the information would be sent to the Clerk shortly for circulation.

The committee agreed:-

- (a) regarding the specialisation arrangements for dealing with external and internal audit reports, that Councillor McLean lead on Corporate and Community Services Department issues with Councillor Swift;
- (b) to note that the specialisation arrangements were to be reviewed after their first full year of operation;
- (c) that a report be sought on the rationalisation of Council property and buildings regarding which the Clerk would seek clarification from members of the committee on any specific issues they would want commented on;
- (d) also regarding the committee's future work programme, that members of the committee consider further potential future topics for consideration and contact either him or the Clerk regarding suggestions; and
- (e) to note that the further statistical information requested on self-directed support within East Renfrewshire was to be sent to the Clerk shortly and would be circulated by her on receipt.

CODE OF CORPORATE GOVERNANCE

482. Under reference to the Minute of the meeting of 17 August 2017 (Page 89, Item 95 refers), when the Code of Corporate Governance updates and actions for 2017/18 had been approved, the committee considered a report by the Deputy Chief Executive on progress against improvement actions and seeking approval of a revised code for 2018/19.

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 the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). The report referred to key requirements with which the Council had to comply and summarised progress on 2017/18 actions, highlighting that eight of the nine actions had been completed. It was clarified that the action on the web subscription tool had been postponed and would instead be linked to the wider implementation of a new Council website.

The updated Code of Corporate Governance for 2018/19, setting out arrangements which fulfilled the seven governance principles outlined in national guidance, was included as an appendix to the report. Self-assessment of the 2017/18 Code against nationally prescribed criteria had found the Council to be fully compliant across all principles with one exception under the principle of managing risks and performance through robust internal control and strong public financial management where there was considered to be partial compliance. Regarding this it was confirmed that action was being taken to update the Council's policies on information security and anti-money laundering and review its counter fraud and anti-corruption arrangements. All scores were reported to be supported by a positive external 2018/19 Local Scrutiny Plan prepared by a Local Area Network of external scrutiny bodies.

Having itemised actions to be taken in 2018/19 to further improve compliance and commented on the Annual Governance Statement to be published in the 2017/18 Annual Report, the report concluded that the Council continued to be governed by sound and effective management controls and to demonstrate compliance with the requirements of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. Progress on planned actions for 2017/18 had been posted on the Council's website, as would the 2018/19 Code subject to it being approved by the committee.

The Corporate Policy Officer commented on the report during which she reiterated the key requirements with which the Council had to comply, and commented on the extent of the compliance against nationally prescribed criteria and the actions to be taken to further improve compliance with the Code in 2018/19.

In response to questions and comments regarding the section under Principle A, Sub-Principle 1 *Behaving with Integrity* which referred to 'ensuring members and officers behaved with integrity and led a culture where acting in the public interest was visibly and consistently demonstrated thereby protecting the reputation of the organisation' and regarding which there was considered to be full compliance, regarding the specific reference to the Code of Conduct for Members, the Corporate Policy Officer clarified that the evaluation score reflected that this Code was amongst documents in place rather than reflecting to what extent there was compliance with the content.

Regarding Sub-Principle 3, Councillor Swift questioned the full compliance score given on effective stakeholder engagement or listening. He cited an example of the outcome of consultation on the Local Development Plan which he stated reflected that local residents did not support building development on Broom Park but shortly after which that land had been referred to as a potential site of a new Leisure Centre. The Corporate Policy Officer

clarified that the evaluation was based on work carried out regarding the Community Plan, but that the evaluation score could be reviewed again to confirm if the score was deemed appropriate or not.

The committee:-

- (a) noted progress on the 2017/18 Code of Corporate Governance improvement actions; and
- (b) approved the Code of Corporate Governance updates and actions for 2018/19, subject to the evaluation on stakeholder engagement being rechecked on which feedback would be provided for circulation.

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

483. The committee considered a report by the Chief Auditor providing a summary of the outcome of an independent external assessment of the Council's Internal Audit service, a copy of which was attached to the report.

It was explained that the Internal Audit function required to adhere to the Public Sector Internal Audit Standards (PSIAS) to ensure quality and consistency across the public sector. Having specified that a related independent external assessment of this required to be carried out at least once every 5 years and outlined related arrangements developed to do so, the report referred to the outcome of a recent such assessment of the Council's Internal Audit service by the Audit and Risk Manager of East Dunbartonshire Council. This was based on reviews over 13 headings as specified within the PSIAS, the findings being that the service was fully compliant in 11 categories and generally compliant in the remaining 2. Having clarified that 4 recommendations that had been made had been accepted, the report referred to the related Action Plan to be implemented. The overall conclusion reached by the external assessor was that the service had sound documentation standards and reporting procedures in place and complied with the main requirements of PSIAS.

Councillor Miller welcomed the Audit and Risk Manager, East Dunbartonshire Council, to the meeting who commented further on the report, the assessment framework, the key findings, recommendations made and the related Action Plan prepared.

Having heard Councillor Miller, supported by other members of the committee, commend and congratulate the Internal Auditor and her team on the outcome of the assessment, the Chief Auditor confirmed that she considered the assessment to be fair. She clarified that all of the recommendations made would be implemented, such as the provision of additional information on internal audit findings which had been agreed beforehand also.

The committee noted the report and the proposed Action Plan.

UNAUDITED ANNUAL ACCOUNTS 2017/18

484. Under reference to the Minute of the meeting of 8 March 2018 (Page 313, Item 338 refers), when the 2017/18 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 2017/18 which had been submitted 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 remained satisfactory with an overall General Fund surplus for the financial year of £5,057k recorded in the Accounts. After transfers to earmarked reserves, the balance of the Council's non-earmarked General Fund at 31 March 2018 was £10,118k representing 4.3% of the annual budgeted net revenue expenditure which complied with Council policy. This took account of £681k in respect of Scottish Government grant received at the end of the financial year for use in 2018/19.

It was clarified that transfers totalling £4,600k had been made from the General Fund balance to the Capital Reserve, Modernisation Fund, Repairs and Renewal Fund, and Equalisation Reserve; and that capital expenditure of £53,207k had been invested. There had also been an operating surplus of £385k on the Housing Revenue Account which had increased the accumulated surplus balance to carry forward to £1,629k.

Whilst referring to key aspects of the report including on reserves, the Chief Accountant commented on the submission of the unaudited Accounts to the committee earlier than in previous years and the intention to do so in future. The Head of Accountancy commented on the volume of work involved in doing so, not only in the Accountancy Section but also across departments, following which she thanked colleagues for the work they had done to a high standard and the result achieved.

In response to Councillor Miller, the Head of Accountancy commented on the financial outcome for the year compared to that predicted earlier, referring to issues such as departmental underspends, Scottish Government grant issues and the use of reserves including to support the Capital Programme. She reiterated that a report on the Audited Accounts would be submitted to the committee in September.

Councillor Swift thanked those involved in preparing the Accounts and welcomed the result achieved, following which he stated he would welcome information on the valuation of surplus assets and confirmation on how long they had been held for sale in the report the committee had requested on the rationalisation of Council property and buildings. The Chief Accountant advised that information on this issue could be provided.

Also in reply to Councillor Swift who sought clarification on the Strathclyde Pension Fund deficit, the Chief Accountant referred to the organisation that provided information to the Council on this issue and a reduction in pension liabilities compared to the previous year.

The committee agreed:-

- (a) to note the content of the unaudited Annual Accounts for 2017/18 and that a report on the final Accounts and related documents would be submitted to the committee in September; and
- (b) that information on the valuation of surplus assets and how long they had been for sale should be amongst the specific information requested on the rationalisation of Council property and buildings.

ASSESSMENT OF WINTER MAINTENANCE ARRANGEMENTS

485. Under reference to the Minute of the meeting of 8 March 2018 (Page 309, Item 335 refers), when it had been confirmed that the report the committee had requested on the current position on gritting and how the service might be delivered in future would be submitted to this meeting, the committee considered a report by the Clerk summarising why the report had been requested, and confirming that a report by the Director of Environment on the same matter had been submitted to the Cabinet earlier in the day, a copy of which was therefore included as an appendix to the report.

The report by the Director of Environment provided details of the performance of the Council during the adverse weather conditions experienced in 2018 and advised on proposals to review the current winter maintenance regime.

The report explained that the weather experienced in East Renfrewshire in 2017/18 had been the worst, from a perspective of freezing conditions and snow fall, for a number of years. Although the Council in the main had coped well, a number of areas for potential improvement had been identified and these would be further explored in the coming months.

However, the report highlighted that it had to be noted that public expectations could sometimes exceed the practical and financial capacity of local authorities to deliver high volume services for a short period of time when these services were only infrequently required. It was clarified that all the areas for review that had been identified would be reported back to a future meeting of the Cabinet.

Whilst highlighting key aspects of the report and recommendations approved by the Cabinet earlier in the day, the Head of Environment (Strategic Services) commented that the severe weather conditions earlier in 2018 had been dealt with appropriately overall, clarified why the review had not begun until the weather conditions had eased, and outlined when various aspects of the winter maintenance service had last been reviewed and reasons for doing so now. Related considerations, including workforce related issues, were commented on.

Various Members advised that they had received many compliments about the Council's response to the extreme weather conditions, but also commented on various complaints they had received some of which related to the poor condition of footpaths, including near schools. They commented on the impact this could have, such as on vulnerable elderly residents walking to local facilities. The Head of Environment clarified the position on school paths and related support provided by school caretakers when they commenced duty in the morning. Members highlighted that increasing grit bins might ease the situation as residents could help clear footpaths and that there were problems accessing Patterson Station and children attending schools due to the conditions of some pavements during the heavy snow.

In response to further questions, the Head of Environment reported that it was not intended that the review would lead to a reduction in the routes currently gritted, but that it could increase the number treated which would have budgetary implications. Having added that the recent extreme winter conditions were not normal, he referred to the need to bear that in mind and carefully consider changes to the maintenance schedule to ensure that the workforce and operational procedures in place were effective and efficient. He referred to his intention to submit costed options on the way forward.

Having heard Provost Fletcher suggest that accessing good, long-range weather forecast models could be merited, the Head of Environment confirmed he would welcome any further comments from Members for consideration during the review. He added that one reason why regular updates had been provided to Members during the severe weather was because it was acknowledged they would receive related questions from constituents.

The committee noted:-

- (a) that any further comments Members had on the issues to be covered as part of the review of the winter maintenance arrangements could be submitted directly to the Head of Environment (Strategic Services) at any time during which it was ongoing; and
- (b) otherwise, the report and the outcome of the review thus far which would be the subject of a further report to the Cabinet in due course.

LOCAL EXTERNAL AUDIT REPORT – EAST RENFREWSHIRE COUNCIL MANAGEMENT REPORT 2017/18

486. The committee considered a report by the Clerk on the publication by the Council's External Auditor of a local report entitled *East Renfrewshire Council Management Report 2017/18* which under the committee's specialisation arrangements had been sent to Councillors Miller and Grant for review.

The report summarised key issues identified during the interim audit work carried out at the Council. This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the Annual Accounts, the results of which would be considered by the External Auditor during the audit of the 2017/18 Accounts. Having outlined the External Auditor's responsibilities, the report clarified that testing during 2017/18 covered key controls in a number of areas including bank reconciliations; payroll validation and exception reporting; authorisation of journals; change of supplier bank details; and IT access controls. Controls were also tested on budget monitoring and control; feeder system reconciliations; and controls for preventing and detecting fraud in areas such as taxations receipts, welfare benefits, grants and other claims.

No significant control weaknesses had been found but, as itemised and summarised in Exhibit 1 of the report, several areas had been identified where controls could have been strengthened on which limited additional work would be carried out to allow the External Auditor to take planned assurance for the audit of the 2017/18 financial statements.

Whilst reviewing and summarising the key findings and related action to be taken, Ms Fraser confirmed that it was clear that progress on improving procedures within creditors had been made but that further action was merited and would be taken. Issues identified and referred to in the associated action plan included procedures on recovering duplicate payments; segregation of duties within the creditors team; and changes to supplier bank details. Other issues commented on were matters relating to the main ledger and changes to the staff leavers process.

Having heard Councillor Grant refer to the importance of having effective procedures in place within creditors on an on-going basis, Councillor Swift asked if it was known if all the payroll overpayments referred to in the report had been recovered from staff leavers.

The committee agreed:-

- (a) that confirmation be sought and circulated on the extent to which the payroll overpayments to staff leavers referred to in the report had been recovered; and
- (b) otherwise, to note the report.

NATIONAL EXTERNAL AUDIT REPORT – EARLY LEARNING AND CHILDCARE

487. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Early Learning and Childcare (ELC)* which under the committee's specialisation arrangements had been sent to Councillors Gilbert and Ireland for review. The Director of Education had been asked to provide comments and a copy of her feedback was attached to the report.

The report referred to key messages and recommendations set out for the Scottish Government and local authorities in the Audit Scotland report. Comments were provided by

the Director of Education on the findings and implications for East Renfrewshire's delivery of 600 hours of funded ELC which had been introduced in 2014 in East Renfrewshire and on which work had continued to introduce a range of options to build flexibility as new provision was introduced. It was clarified that a number of surveys had been carried out with parents to respond to family needs and that opening hours had been extended in East Renfrewshire facilities to introduce additional flexibility. Further information was provided on planning which was ongoing for the expansion to 1140 hours in East Renfrewshire. It was clarified that it was expected that the associated infrastructure would be in place by August 2020.

Provost Fletcher referred to the capital investment required to expand to 1140 hours and meet parental expectations, expressing concern that a lack of land and buildings in East Renfrewshire could impact on this. He expressed the view that creativity was needed on the use of buildings in the area, such as church halls if they were available, to ensure provision. He referred to the importance of certainty about related financial provision such as that provided by the Scottish Government. Councillor Swift referred to the lack of sufficient capital and revenue resources provided by the Scottish Government for the expansion and the need for flexible provision to meet the needs of families.

The Head of Accountancy (Chief Financial Officer) reported that an update on the associated capital allocation, which was more favourable than assumed at one stage, was to be submitted to the next meeting of the Council. Regarding the Revenue budget, she added that a need to lobby the Scottish Government further had been identified as the current settlement was not considered to take account sufficiently of needs and the quality of provision for example.

Councillor Swift referred to a lecture he and Councillor Miller had attended the previous day delivered by a Professor of Education, at which the Professor had referred to a lack of evidence in support of Early Years education. Councillor Swift added that what might be needed therefore was further childcare and supervision of play rather than having more teachers than might be necessary. Referring to the committee's request for information on surplus properties, Ms Barrowman commented that a review of buildings by the Council was a key enabler project for the ELC initiative. The Head of Accountancy added that the report requested by the committee was not just about properties that may be used for ELC and that the Director of Education had been considering the provision required for the expansion of ELC in the local area.

The committee:-

- (a) agreed that the comments made be relayed to the Director of Education for her information; and
- (b) otherwise, noted the report.

CHAIR