

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 2 March 2017.

Present:

Councillor Gordon Wallace (Chair)	Councillor Gordon McCaskill
Councillor Barbara Grant (Vice Chair)	Councillor Tommy Reilly
Councillor Charlie Gilbert	Councillor Ralph Robertson
Councillor Paul O'Kane	

Councillor Wallace in the Chair

Attending:

Lesley Bairden, Chief Financial Officer, HSCP; Michelle Blair, Chief Auditor; Jackie Martin, Corporate Business Manager; Liz Lyon, Senior Auditor; and Linda Hutchison, Clerk to the Committee.

Also Attending:

Dave McConnell and Elaine Barrowman, Audit Scotland.

DECLARATIONS OF INTEREST

2408. Councillor O'Kane declared a non-financial interest in item 2411 (Payments to Care Providers) by virtue of his employment with Enable.

CHAIR'S REPORT

The following matter was discussed during the Chair's report:-

(i) **Eastwood Nursery Allotments Association (ENNA)**

Under reference to the Minute of the meeting of the Cabinet of 2 March 2017 (Page 2239, Item 2402 refers), when funding of £5,000 for measures to allow ENNA to make improvements to the appearance of the boundary wall at the allotments was approved, in the context of the committee's previous discussions on the issue, Councillor Wallace suggested that the position be noted. He added that the cost of the work seemed expensive, but that other work which could have been needed to rebuild the wall had not ultimately been required.

In response to Councillor McCaskill who asked if the Cabinet had discussed a suggestion made at a site visit to paint the fence green, Councillor Grant commented that she was satisfied with the current appearance and that the wall had been deemed structurally safe by independent consulting engineers, adding that she was not clear as to what use the £55,000 originally allocated for the reconstruction of the wall had been put.

Councillor Robertson, having supported Councillor Grant's view on the wall's appearance, referred to on-going maintenance required when fences were painted and related costs, expressing the view that planting conifers might impact on the wall's foundations.

The committee noted the comments made.

REVIEW OF STRATEGIC RISK REGISTER AND RISK MANAGEMENT PROGRESS

2409. Under reference to the Minute of the meeting of 29 September 2016 (Page 2061, Item 2207 refers), when the position on the Strategic Risk Register (SRR) had been noted, the committee considered a report by the Chief Executive regarding the most recent biannual update of the Register and also recent general progress on risk management.

The SRR, a copy of which was attached to the report, itemised key risks that required to be considered and actions put in place to manage these. As well as some risks having been deleted, several had been rescored and amended to include additional control measures. A thorough review of all strategic risks had been undertaken by the Corporate Management Team (CMT) arising from which the risks had been rationalised and grouped by the outcomes listed in the Single Outcome Agreement (SOA). Relevant significant risks which could impact on achievement of the Council's outcomes relating to the Integration Joint Board (IJB) and Culture and Leisure Trust (C<) had been considered as part of this update. In total there were now 25 strategic risks, 8 of which were evaluated as high, 13 as medium and 4 as low.

Further information was provided on risks that remained high; those removed from the register or rescored or where descriptions had been amended; and a sample of control measures implemented or proposed. The register continued to align with key SOA outcomes and the current internal and external business environments; and reflected corporate risks associated with the Council's strategic change and transformation agenda. It was confirmed that although reports on the SRR were submitted on a 6-monthly basis to the committee and annually to the Cabinet, the register was considered a live document and updated continually.

Regarding general progress, it was confirmed that the Corporate Risk Management Group had reviewed the risk management process and identified areas for improvement resulting in more emphasis being placed on discussions on risk at departmental management team meetings. The CMT was also now reviewing the SRR at each meeting and departmental risk representatives were continuing to embed risk management principles within their departments and ensuring that staff attended risk management training with some bespoke training for various services and senior management having been provided. It was confirmed that the Council's approach to risk management was constantly kept under review to incorporate best practice.

The Corporate Business Manager commented further on key issues within the report during which she clarified when a report on the SRR would next be submitted to the Cabinet, commented on specific risks, and cited examples of new control measures. She also referred to the CMT's new approach, risk training and the escalation to the SRR of some risks that featured on operational registers.

In reply to questions, the Corporate Business Manager clarified why the risk associated with the closure of C< facilities as a result of unforeseen failure remained high, clarifying that more minor circumstances of this nature were likely to be dealt with by the Trust, but that those of a more major nature could require action by the Council.

In response to Councillor McCaskill, the Corporate Business Manager clarified where reference to the threat of cyber-attack featured on the SRR, acknowledging that it would be appropriate to include reference to this in the section on IT service provision as well as the one on information assets. She clarified that the CMT had taken the view that a risk on the outcome of the EU Referendum should be included in the SRR, clarifying that some related risks featured on various operational risk registers.

In response to concerns raised by Councillor Grant on absenteeism, the Corporate Risk Manager commented on a range of absence issues, including improvements in quarter 3 of 2016/17 compared to the same period in 2015/16, particularly in relation to teachers. She clarified that work was ongoing on consistency of data across local authorities and the updating of statutory performance indicators, referring to some related system capability data collection issues in East Renfrewshire and some other authorities on which work was ongoing pending which it had been requested that the IS publish a caveat to related performance information.

Responding to Councillor Robertson, she undertook to seek clarification on when benchmarking performance information had indicated absence amongst East Renfrewshire teachers to be at its lowest. Regarding a workforce skills related matter he raised, she cited examples of when external resources were required such as when particular expertise or skills were required to adapt systems; referred to forward planning challenges when the Council's grant was confirmed for a single year only; clarified what use was made of capacity grids and the transformation fund to fund non-permanent posts when required; and the ambitious nature of the change programme. Having heard Councillor Robertson suggest that the workforce related risk score should in his opinion be higher as the Council lacked full control over where its workforce came from and could not compel officers to remain in the authority, the Corporate Business Manager confirmed that the CMT and Heads of Service considered the score appropriate, but undertook to relay his comments back.

Councillor Wallace referred to the focus placed by the committee on absence, welcomed the improvements referred to, but questioned whether work-related stress was being managed sufficiently, commenting on the pace of change within the authority compared to other councils and speculating that this might help explain absence levels.

Councillor McCaskill commented on links that could exist between change and staff insecurity and an inability to keep up with training requirements, adding also that agile working could be delivering an outcome that was different in some respects to that sought. The Corporate Business Manager acknowledged the scale of change within the authority, but referred to a range of initiatives officers had welcomed such as some of those that had reduced the need to manually collate and access certain types of information allowing them to concentrate on their professional responsibilities.

Councillor Wallace welcomed the rationalisation of the SRR and use of bespoke risk management training. On a report related matter, he reiterated the importance of using plain English within them, citing examples of phrases within the SRR which were not written in such a way.

The committee:-

- (a) agreed that the Corporate Business Manager provide feedback to appropriate officers on comments made at the meeting, including on the importance of using plain English within such reports;
- (b) agreed that the Head of HR, Customer and Corporate Communications include detailed reference on the extent to which stress related issues were being addressed, when submitting her next annual report on absence issues to the committee following the summer;
- (c) agreed that clarification be sought on the teacher absence issue raised by Councillor Robertson and that the related feedback be circulated; and
- (d) otherwise, noted the development of the Council's Strategic Risk Register and progress with risk management across the Council.

EAST RENFREWSHIRE COUNCIL – ANNUAL AUDIT PLAN 2016/17

2410. The committee considered a report by the External Auditor regarding the 2016/17 Annual Audit Plan. The Plan provided an overview of the planned scope and timing of the audit to be carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice and other relevant guidance. Reference was also made to audit work to provide an opinion on the financial statements and related matters and to meet the wider requirements of public sector audits, including the new approach to Best Value (BV).

The report highlighted the main financial statement issues and risks and risks of a wider dimensional nature identified for the Council; and referred to various reports to be prepared including the annual report on the audit, the audit fee and related issues, and the responsibilities of the committee, Head of Accountancy and appointed Auditor. Having summarised the approach to be adopted on the audit of financial statements, it was clarified that an opinion on them would be given on a range of issues, including whether they gave a true and fair view and were properly prepared in accordance with accounting procedures; and whether the annual governance statement was consistent with the financial statements and prepared in accordance with relevant requirements.

Other issues commented on included materiality levels; the reliance to be placed on the work of Internal Audit where possible and related issues; the annual audit assessment review of the Internal Audit function that was nearing completion; and the 4 audit dimensions that framed the wide scope of public sector audit requirements. Regarding the auditing of Best Value and related audit framework, it was confirmed that the Council was amongst the first tranche of authorities on which a Best Value Assurance Report (BVAR) would be published, the plan being to publish this in September 2017. It was confirmed that to inform this work, all aspects of BV in the Council would be reviewed including performance and outcomes; improvement, leadership, governance and scrutiny; partnership and community empowerment; and financial planning.

Councillor Wallace welcomed Mr McConnell and Ms Barrowman to the meeting, following which they referred to various aspects of the report, highlighting the key audit risks identified which required specific audit testing on which an update would be provided in the annual audit report. Mr McConnell also referred to the new approach to auditing Best Value, confirming when it was planned to publish the draft and final reports. He confirmed that arrangements were already being made to engage with officers, and that Members would be amongst those involved in discussions.

In response to Councillor McCaskill who commented that the Plan did not refer to the potential for faulty processes and procedures potentially leading to fraud, Mr McConnell clarified that a key mitigating factor was considering what controls organisations such as local authorities had in place, such as the division of duties to reduce risk. He clarified that a review of the risk of fraud over income and expenditure was a feature of all audit plans because it featured in auditing standards, adding that risks of this nature always existed in large organisations with substantial financial resources such as local authorities.

Also in response to Councillor McCaskill who referred to the management of the collection of Non-Domestic Rates by Renfrewshire Council on behalf of the authority, Mr McConnell confirmed that one of his teams was responsible for the audit of that authority also.

Councillor Wallace referred to the section of the Plan which commented on the intention to review, conclude and report on whether the Council could provide evidence that it was demonstrating value for money in the use of its resources, citing the example of expenditure on the headquarters building foyer and Council Chamber and seeking comments on the extent to which individual departments had to link expenditure to the delivery of outcomes. Mr McConnell, supported by Ms Barrowman, clarified that the BV audit would not look at specific items of expenditure, but rather the processes the Council had in place to support the identification, delivery and monitoring of Best Value. Work would include looking at high level outcomes, their link to strategic aims, and decision making processes for example. Ms Barrowman commented that there should be proper processes in place for approving decisions, and on how issues such as risk management and the Capital Programme should be linked to delivery of the Corporate Plan.

The Committee noted the 2016/17 Annual Audit Plan and timetable for the publication of related documents, including the Annual Audit report for 2016/17.

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Councillor O’Kane having declared a non-financial interest in the following item left the meeting prior to its consideration.

PAYMENTS TO CARE PROVIDERS – REPORT BY CHIEF AUDITOR AND RELATED MANAGEMENT ACTION PLAN

2411. Under reference to the Minute of the meeting of 19 January 2017 (Page 2188, Item 2351(iii) refers), when it had been noted that the Internal Audit follow-up report on Payments to Care Providers and the related management response would be submitted to this meeting, the committee considered the report and related management action plan.

The report explained that in October 2015 Internal Audit had reported on the findings of an audit on Payments to Care Providers, this work having been requested by the then Director of the Community Health and Care Partnership (CHCP) following the publication of articles in the national press about the Council making overpayments to providers. In total 23 recommendations had been made in that report, which were progressed by the new Health and Social Care Partnership (HSCP). That report and the related action plan had been the subject of detailed discussions between officers and the committee in January 2016.

Having commented on the risks of not addressing issues highlighted in that report and the ongoing implementation of the Carefirst Finance system, full implementation of which would address many of the points raised previously, the report clarified that at the time of the follow-

up audit, service agreements for mental health and children and families were not fully on the system. Subsequently the Chief Financial Officer, HSCP advised Internal Audit that this had been addressed.

It was clarified that the follow-up audit had included ensuring that appropriate action had been taken to address points raised in the initial audit report, and that the updates provided were accurate and reflected a true picture of the action taken and current position.

The report concluded that a lot of work had clearly been carried out within the HSCP to address issues highlighted in the initial audit report, clarifying that reports submitted to the Performance & Audit Committee of the IJB and the Council's Audit and Scrutiny Committee had been reviewed as part of the follow-up audit work. It was reported that the main areas still to be implemented related to Independent Living Funds (ILFs) and the reconciliation between committed and actual learning disability expenditure as at 31 March 2016 on an individual service user basis to provide assurance that no further overpayments had occurred.

Reference was made to overpayment issues that remained outstanding and required attention, with comments made on issues concerning the financial ledger and ILF. Reference was also made to other recommendations on existing financial records, ongoing reviews of client commitments and allocated care workers. In total 8 recommendations were made. The related management action plan commented on each of these and reflected that 1 recommendation had been accepted in part and 1 had not been accepted. In respect of the latter a detailed briefing note on the rationale for this was provided. The HSCP had accepted the remaining 6 recommendations and continued to progress action.

Whilst commenting on the report, the Chief Auditor referred to improvements made since the last audit, adding that the Chief Financial Officer, HSCP had made good progress. She reported that scheduled payments had only been used to a limited extent in 2015/16, and clarified that no such payments were made in 2016/17. Referring to the recommendation that had not been accepted by management on the need for a full reconciliation for 2015/16 between actual and committed expenditure for learning disability to ensure any over or underspend could be identified to individual service users, the Chief Auditor clarified that she had accepted the response received. In conclusion, she explained that further follow-up audit work would be carried out in due course.

Having welcomed the Chief Financial Officer, HSCP to the meeting, Councillor Wallace, supported by Councillor Grant, emphasised to her that the work she had progressed to address issues was greatly appreciated and highlighted that a range of criticisms raised by the committee had not been directed at her.

Referring to recommendation 6.1.2 on revising the commitment report and verification of details for individual service users which had been accepted in part, Councillor McCaskill commented that he had noted that the management response which referred to commitment reporting from Carefinance being further developed specified that this was 'subject to system parameters', adding that this seemed a very general phrase. In the context of the extended period of time that had passed before the committee had been alerted to the issues that had been emerging regarding payments to care providers as subsequently referred to in the initial internal audit report, he commented that no recommendation had been made on when the committee should have been alerted to what had been emerging.

Responding to the system issue raised, the Chief Financial Officer, HSCP clarified that at the time the original recommendation on this issue had been accepted, it had not been known if the current Carefinance system could allow the work involved to be undertaken. She commented on issues that had been taken forward in terms of commitment reporting, which

included examining expenditure variances, adding that ideally planned and actual services and planned and actual costs would be examined. She clarified that the functionality of the system would be considered further, highlighting that current management information was now far superior to that available under previously. Regarding when the committee should be alerted to issues, she said she wished to refrain from commenting on past events but, in terms of current governance arrangements, confirmed that a range of reports were being prepared, such as for the IJB and the Cabinet as well as ones of a more routine nature. She confirmed that she considered the information available to be sufficient to allow costs to be monitored and controlled, citing examples of issues that were analysed such as reports on projected care package costs and any related changes, and the cost and volume of care packages. She further stated that the checks and balances in place were considered to be sufficient to alert her to any potential problems, adding that she would report issues immediately to the Cabinet if required.

Having thanked the Internal Auditor and her team for the extensive work they had carried out, Councillor Grant commented that the situation had underlined the general issue that losing key members of staff could create problems, emphasising the need for the Council to ensure that sufficient officers were in place to carry out tasks that required to be progressed.

In reply to Councillor Robertson who asked how quickly resources followed an individual who moved into a care establishment, the Chief Financial Officer, HSCP referred to related legislation and guidance and differences in practice depending on whether or not a person was normally resident in East Renfrewshire or a local resident moved to an establishment outwith the area for example. She clarified that payments for services were being made on receipt of invoices, commented on the importance of doing this accurately, and expressed confidence in the current arrangements.

Referring to the committee's extensive discussions and concerns on the care providers issue in 2016, Councillor Wallace said he felt more confident now that issues were being addressed. Having heard Councillor McCaskill refer to the importance of the committee being alerted to issues of concern like this at an early stage in future, Councillor Wallace commented on the way in which the committee had become aware of the issue through the newspaper article referred to previously, adding that the whole episode had raised questions amongst some members of the committee on how they felt about the work they had been appointed to do. He emphasised that the committee's role was to assist rather than attribute fault.

The committee agreed to note the report and related comments and clarification provided.

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Councillor O'Kane re-joined the meeting at this point.

NATIONAL EXTERNAL AUDIT REPORT – ROLES AND WORKING RELATIONSHIPS IN COUNCILS – ARE YOU STILL GETTING IT RIGHT

2412. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Roles and Working Relationships in Councils – Are You Still Getting it Right* which, under the committee's specialisation arrangements, had been sent to Councillors Wallace and Grant for review. The Head of Democratic and Partnership Services had been asked to provide comments and a copy of his feedback was attached to the report.

Having made reference to a related report published in 2010 which, amongst other things, commented on the need for good working relationships between Officers and Members and clarity of roles and responsibilities, the report explained that the current report recognised that the context in which local councils were operating had changed since 2010. The recent report had been designed to support councils and assist with preparations for those individuals newly elected in May 2007, itemised a range of key messages and provided a range of check lists for Members and officers to reflect on. Specific issues referred to in more detail in terms of the local position included governance, clarity of roles, effective scrutiny, partnership and arms-length bodies, the role of statutory officers, and conduct and working relationships. Reference was also made to the skills and tools Members needed to carry out their role.

It was concluded that there was good evidence of progress locally across the issues commented on, and that the Council and its officers demonstrated a clear commitment to delivering the best possible services to local people and to understanding the value of good governance and accountability, positive working relationships and investment through learning and training.

In response to Councillor Grant who referred to the importance of those elected in May having the required skills and tools to discharge their duties effectively and the importance of related learning and development plans and opportunities for new and returning Members, the Clerk confirmed that an induction programme for Members was being developed and that Members would be encouraged again to take advantage of the opportunities offered to them periodically to discuss their specific training needs with a Human Resources Advisor.

Councillor Grant referred to the importance of working corporately following which Councillor O'Kane commented on the value of induction programmes for Members, including those appointed to the committee and of Members asking pertinent questions in sufficient depth to allow issues to be examined in some forensic detail.

During discussion on the importance of relationships between officers and Members, Councillor Robertson stated that he had found officers helpful in terms of guiding new Members on where it was most appropriate to raise issues. Councillor Wallace reiterated the importance of scrutiny, trust and the committee being alerted to issues.

The committee noted the report.

NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL OVERVIEW 2015/16

2413. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Local Government in Scotland – Financial Overview 2015/16* which, under the committee's specialisation arrangements, had been sent to Councillors Wallace and O'Kane for review. The Head of Accountancy had been asked to provide comments and a copy of her feedback was attached to the report.

The report advised Members on the Council's position relative to the findings, commenting on various income and expenditure matters including budgetary issues and pressures, reserves, budget expenditure and monitoring, and effective financial planning. Other issues commented on included the Council's Financial Policy; approval of the Financial Plan 2017/2022; Council Tax collection; income from fees, charges and specific grants; capital expenditure; funding and payments in relation to staff reductions; and equal pay claims.

Having summarised the position on a range of issues relating to the financial outlook, including related pressures, the use of reserves, and debt, the report concluded that, overall, the Council was well placed in terms of already having addressed various issues but that it would seek to improve further its position by providing a split of General Fund/Housing Revenue Account debt in the 2016/17 Management Commentary and in setting out indicative departmental budget figures for 2018-2020 as part of work being done at present to update the Outcome Delivery Plan.

The committee noted the position.

CHAIR

