

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of virtual meeting held at 2.00pm on 24 September 2020.

Present:

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

Councillor Charlie Gilbert
Councillor Annette Ireland

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Sharon Dick, Head of HR and Corporate Services; Michelle Blair, Chief Auditor; Alison Ballingall, Senior Revenues Manager; Gill Darbyshire, Chief Executive's Business Manager; Kath McCormack, HR Manager; Linda Hutchison, Clerk to the Committee; Jennifer Graham, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Pauline Gillen and Morven Fraser, Audit Scotland.

Apologies:

Councillors Angela Convery, Jim McLean and Jim Swift.

DECLARATIONS OF INTEREST

1368. There were no declarations of interest intimated.

CHAIR'S REPORT

1369. The following matters were raised during the Chair's report:-

Change of Date of Next Meeting

- (i) Further to consultation, the Chair proposed rescheduling the next meeting of the committee, which was due to take place on 19 November, to 26 November with a view to the Annual Accounts and all other items due to be considered that month being discussed at a single meeting.

Audit Scotland COVID-19 Guide for Audit and Risk Committees

- (ii) The Chair reported that Audit Scotland had recently published a *COVID-19 Guide for Audit and Risk Committees* which referred to the crucial role such committees play in providing effective scrutiny and challenge, and how this had become even more important due to the COVID-19 pandemic. He clarified that it had been prepared to assist such committees focus on short-term challenges faced in the response phase of the pandemic, and posed a series of questions designed to assist them effectively scrutinise key areas requiring additional focus, namely internal control and assurance; financial management and reporting; governance; and risk management. He proposed that a report on the issues raised be prepared and submitted to the next meeting.

The committee agreed that:-

- (a) the date of the next meeting be rescheduled to 26 November 2020; and
- (b) a report on the issues raised in the *COVID-19 Guide for Audit and Risk Committees* be prepared and submitted to the next meeting.

MANAGING ABSENCE - ANNUAL REPORT

1370. Under reference to the Minute of the meeting of 26 September 2019 (Page 970, Item 1047 refers), when absence management during 2018/19 had been discussed, the committee considered a report by the Deputy Chief Executive providing an update on the Council's sickness absence levels and its approach to managing absence.

Whilst commenting on absence data for 2019/20, the report explained that there had been an increase in local government employee absence and a decrease in teacher absence, itemising the top attributable reasons. Having highlighted various issues on absence benchmarking, including a range of data within the Chartered Institute of Personnel and Development (CIPD) Annual Survey Report 2020 on Health and Well-being at Work for private, public and non-profit sectors, the report provided statistical information on absence trends since 2012/13 and made reference to related issues. The report commented that it was recognised at a national level that a number of factors influenced absence figures, including whether or not manual services remained in-house as in East Renfrewshire, as such services tended to have higher absence rates associated with them.

Further information was provided on the focus being placed on absence improvement and related matters during which it was highlighted that mental health would continue to be an area of focus in the coming year. Reference was made to an increase in the number of employees working from home due to COVID-19, and ways in which the Council had continued to support the well-being of staff, including by sending weekly email briefings at the height of lockdown with useful information and links on relevant health and well-being topics.

Statistics were provided on dismissals on grounds of capability and the number of ill-health retirements. It was explained that there was potential for absence levels to continue to be of concern over the next few years associated with planned service reviews, but emphasised that improving absence levels through a more robust approach remained a priority for the Corporate Management Team and departments.

It was concluded that the Council's overall absence performance had remained unchanged since 2018/19. A strong focus continued to be placed on absence improvement, benchmarking

and implementing related training and improvement actions. Reference was made to the focus to be placed on mental health, including encouraging managers to be proactive and supportive when an employee showed signs of a stress related illness; and to encourage employees to attend related training that could be helpful to them.

Whilst commenting further on various aspects of the report, in response to questions, the HR Manager confirmed that the Local Government Benchmark Framework data issued by the Improvement Service for 2019/20 was not yet available but could be made available to members of the committee in due course. She also confirmed that the authority was mindful of stress amongst staff in relation to COVID-19, was considering how best to record that, and that reference to this could be included in the 2020/21 managing absence annual report.

The committee:-

- (a) noted the content of the report and trend in absence ratings;
- (b) noted that the HR Manager would send the Local Government Benchmark Framework data for 2019/20, when available, to the Clerk for circulation to members of the committee;
- (c) noted that reference to stress issues associated with COVID-19 could be included in the next Managing Absence Annual Report for 2020/21; and
- (d) agreed to support the range of approaches being taken to reduce absence levels across the Council.

SUMMARY OF EARLY RETIREMENT/REDUNDANCY COSTS TO 31 MARCH 2020

1371. Under reference to the Minute of the meeting of 26 September 2019 (Page 971, Item 1048 refers), when early retirements/redundancies to 31 March 2019 had been discussed, the committee considered a report by the Deputy Chief Executive summarising the position on early retirement/redundancy costs from 1 April 2019 to 31 March 2020 and related issues. Information on the total costs incurred and projected savings was provided.

Whilst commenting on the report, the HR Manager confirmed that redundancies continued to be assessed using a process based on a financial business case, referred to associated legal requirements, and clarified that related costs depended on the individual circumstances of each employee involved, with each case considered on its own merits.

In response to Councillor Ireland, the HR Manager clarified that the information provided on financial business cases for early retirements or voluntary redundancies required to demonstrate that the costs could be recovered within acceptable timescales with ongoing tangible savings being achieved thereafter. She also undertook to provide further information on the exception to this, namely where a temporary contract was ended and the employee had over 2 years continuous service either gained within the Council or another public sector body.

The committee noted:-

- (a) that the HR Manager would send further information to the Clerk for circulation to members of the committee on the position where a temporary contract had ended and the employee concerned had over 2 years continuous service gained within the Council or another public sector body; and

- (b) otherwise, the content of the report, the explanations provided for early retirements/redundancies within the period it covered, and related projected savings.

NATIONAL EXTERNAL AUDIT REPORT – IMPACT OF SEPTEMBER 2017 AUDIT ON EQUAL PAY IN SCOTTISH COUNCILS

1372. The committee considered a report by the Clerk on the publication by the Accounts Commission of a report entitled *Equal Pay in Councils Impact Report* which under the committee's specialisation arrangements had been sent to Councillors McLean and Swift for review. The Head of HR and Corporate Services had been asked to provide comments and a copy of her feedback was attached to the report.

The report summarised the impact of the Accounts Commission's performance audit on Equal Pay in Councils published in September 2017 which had focussed on five themes, including how councils had implemented the Single Status Agreement (SSA), and what lessons could be learned for the future. Information was provided on implementation of the SSA, the costs associated with equal pay claims, and how these had been settled by the Council, all claims having been resolved by March 2017. It was clarified that the Council continued to ensure that pay systems delivered equal pay.

Further information was provided on the gender pay gap and factors which could contribute to this, including occupational segregation; part-time work; women being underrepresented in senior management and leadership roles; and women taking on the majority of care duties. It was reported that Scottish public bodies were required to publish information on the gender pay gap every two years, and that this information was also reported through the Local Government Benchmarking Framework. Reference was made to a Scottish Government report *A Fairer Scotland for Women: Gender Pay Gap Action Plan* published in March 2019 which commented on ways to tackle the gap and ensure Councils took all necessary steps to comply with equalities legislation. It was confirmed that the gender pay gap in East Renfrewshire had improved over the last 3 years, and further information was provided on factors which led to this and ongoing work to tackle issues such as occupational segregation.

The report highlighted that the Council was well positioned against the national report; supported the principles of equal pay; continued to maintain all jobs in line with the Scottish Joint Council third edition job evaluation scheme; and continued to review the gender pay gap and seek opportunities to improve by impact assessing any proposed changes to terms and conditions.

Whilst highlighting key aspects of the report, the Head of HR and Corporate Services commented in more detail on how equal pay claims had been settled and related timescales. Having referred to statistical information pertaining to the gender pay gap, she provided examples of actions being taken by the Council to address occupational segregation which included providing parental leave, promoting flexible working options, and considering career progression opportunities, examples of which were cited. She also confirmed that work was ongoing regarding the consolidation of the Living Wage, as were related negotiations with the Trade Unions.

In response to Councillor Grant, the Head of HR and Corporate Services clarified that the Working Time Directive did not impact on what the Council was trying to achieve regarding the gender pay gap. More generally, Councillor Miller welcomed developments on this issue.

The committee noted the content of the Accounts Commission report and the position as it related to East Renfrewshire.

NATIONAL FRAUD INITIATIVE - UPDATE

1373. Under reference to the Minute of the meeting of 26 September 2019 (Page 968, Item 1045 refers) when a report on the National Fraud Initiative (NFI) in Scotland had been noted, the committee considered a report by the Head of Communities, Revenues and Change providing an update on the NFI in Scotland and related work carried out in 2019/20.

Having referred to the data sharing and matching exercise undertaken throughout Scotland every two years, the purpose of the NFI counter-fraud exercise and keys to success, the report confirmed that the Council had a single point of contact for NFI and a well-established network of departmental contacts who were responsible for comparing their own data sets, recovery, and follow up action. Reference was made to the number of matches reported in the 2018/19 exercise, with a total potential fraud or error value of £95,360, and how related work was progressed.

It was clarified that a data matching exercise of Council Tax Single Person Discounts (SPD) against financial and banking records held by Experian, planned for 2020, had been postponed due to resourcing issues and the national lock-down associated with COVID-19. It was expected that NFI activity would proceed as expected in 2021, and that the data matching exercise would take place thereafter.

The report also referred to the Audit Scotland paper entitled *National Fraud Initiative 2018/19*, published in June 2020, which recognised the significant challenges facing the public sector as a result of COVID-19; acknowledged that most organisations were strongly committed to countering fraud and the NFI; and referred to a pilot which had been undertaken on Non Domestic Rates to identify businesses inappropriately claiming Small Business Bonus Scheme relief. Further information was provided on various initiatives which the Council was involved with, including the Fraud and Error Investigation Service, and it was reported that the next NFI exercise was scheduled to take place during 2021.

The committee, having heard the Senior Revenues Manager highlight key aspects of the report, noted the report and action taken in respect of the National Fraud Initiative in East Renfrewshire Council for 2019/20.

MANAGING THE RISK OF FRAUD AND CORRUPTION – FRAUD RESPONSE STATEMENT 2019/20

1374. The committee considered a report by the Chief Executive detailing the Council's Fraud Response Statement 2019/20, overviewing measures in place across the Council to address anti-fraud, bribery and theft; referring to the management of the risk of fraud and corruption; and providing an update on action undertaken during 2019/20 where appropriate.

The report explained that, following a review of the Code of Corporate Governance, it had been identified that the Statement should be prepared, the submission of the report to the committee on this issue having been delayed due to the COVID-19 pandemic. Having referred to the authority's commitment to fighting fraud and bribery, the report explained that the Council followed the Chartered Institute of Public Finance & Accountancy (CIPFA) Code on "managing the risk of fraud and corruption", referring to its five key principles which included identifying fraud and corruption risks; and developing an appropriate counter fraud and corruption strategy. It was clarified that the Corporate Management Team had approved a revised Anti-Fraud, Bribery and Theft Strategy in August 2019, which aimed to promote an attitude of zero tolerance to fraud regardless of its value or scale, and that in line with the CIPFA Code a Fraud Statement was to be considered annually.

The report also provided an overview of work undertaken during 2019/20, where appropriate, and referred to measures in place to address anti-fraud, bribery and theft. These included independent reviews of the adequacy, efficiency and effectiveness of internal controls by Internal Audit; putting in place a range of policies and procedures to support the strategy; updating guidance on gifts and hospitality; and the provision of comprehensive training and awareness raising sessions for staff. Other issues referred to included work the Procurement Team was doing with Scotland Excel and Police Scotland to minimise risks to the Council; and specific controls in place across all processes to ensure risk of loss through fraud was minimised.

In relation to reporting on potential fraud, reference was made to the Audit and Scrutiny Committee's scrutiny role in relation to the application of the Anti-Fraud, Bribery and Theft Strategy, and related updates provided to it by Internal Audit on its investigation of 5 potential fraud incidents during 2019/20. Having referred to the NFI and related reports submitted to the committee, specific reference was made to steps taken to reduce the threat of widespread fraud in relation to the business grants that had been made available associated with the COVID-19 pandemic, and ongoing work the Economic Development Team was progressing, in liaison with Police Scotland, regarding possible fraudulent applications.

Having highlighted key aspects of the report, in response to Councillor Grant, the Business Manager confirmed that a few cases of suspected fraud were being examined in relation to the business grants made available linked to the COVID-19 pandemic, pending which no payments had been made in relation to these applications.

The committee noted the content of the report and the work being undertaken across the Council in relation to managing the risk of fraud and corruption.

REVIEW OF STRATEGIC RISK REGISTER AND RISK MANAGEMENT PROGRESS

1375. Under reference to the Minute of the meeting of 12 March 2020 (Page 1156, Item 1247 refers), when the position on the Strategic Risk Register (SRR) and progress with risk management across the Council had been noted, the committee considered a report by the Chief Executive regarding the most recent biannual update of the register and general progress on risk management.

The SRR, a copy of which was appended to the report, itemised key risks that required to be considered and associated actions put in place to manage these. Having referred to related operational risk registers in place, the report confirmed that several strategic risks had been amended to include additional control measures and rescored for significance, clarifying that a thorough review of all the strategic risks had been undertaken by the Corporate Management Team (CMT). In total there were now 33 strategic risks, 15 of which were evaluated as high and 18 as medium. Risks evaluated as low had been removed from the SRR and would be monitored within departmental or operational registers as appropriate. Relevant significant risks which could impact on achieving the Council's outcomes regarding the work of the Integration Joint Board (IJB) and the Culture and Leisure Trust had been considered.

In addition to referring to risks added to the SRR, information was provided on risk scores that remained high; amended risk descriptions; and a risk which had been removed. It was confirmed that although reports on the SRR were submitted to the committee every 6 months and the Cabinet annually, the register was considered to be a live document and updated continually, particularly in light of the ongoing COVID-19 pandemic, with the review of the SRR playing a fundamental role in ensuring that the Council met its objectives as detailed in Fairer East Ren, the Modern Ambitious Programme, and the Outcome Delivery Plan.

Having heard the Business Manager highlight key aspects of the report, Councillor Ireland requested further clarification on why Risk 2.5, relating to a potential successful judicial review into the lawfulness of charging for instrumental music leading to additional budget pressures due to loss of income as well as increased service demand, had been removed from the SRR in favour of it being monitored through the Education Risk Register. Having heard the Business Manager comment that further clarification would be sought from Education officers, the Head of Accountancy (Chief Financial Officer) also commented on how the issue was being taken forward at the current time.

In response to Councillor Grant who commented that the Council was limited in what it could do to address Risk 2.6, which related to changes in SQA certification processes in 2019/20 and 2020/21 and them detrimentally impacting upon the 2020/21 exam diet results with a subsequent negative impact on the Council's reputation, the Head of Accountancy (Chief Financial Officer) acknowledged this, but clarified that the Director of Education was able to contribute to related discussions and consultation on the future format of exams through various networks and help bring pressure to bear nationally as required.

Referring to Risk 2.3 on ensuring sufficient catchment places for East Renfrewshire children and young people across all sectors in light of inward migration including through the impact of new residential developments, and which made reference to the Local Development Plan, Councillor Miller expressed the view that the authority had a role to play balancing planning considerations with school capacity.

The committee:-

- (a) agreed that further information be sought and circulated on why Risk 2.5 pertaining to charging for the instrumental music service had been removed from the SRR;
- (b) agreed that feedback be provided to appropriate senior officers on comments made by members of the committee at the meeting on the SRR for consideration; and
- (c) otherwise, noted the development of the SRR; that it was considered to be a live document; and that it would be updated and amended by the CMT.

EAST RENFREWSHIRE COUNCIL MANAGEMENT REPORT 2019/20

1376. Under reference to the Minute of the meeting of 13 August 2020 (Page 1128, Item 1320 refers), when it had been noted that the finalisation of the East Renfrewshire Council Management Report had been delayed but would be submitted by the Council's External Auditor in due course, the committee considered a Management Letter by the External Auditor on a review of the Council's internal controls in financial systems for 2019/20 which under the committee's specialisation arrangements fell within the remit of Councillors Miller and Grant for review.

It was clarified that the interim audit work had been interrupted by the outbreak of COVID-19 and related suppression measures put in place by the UK and Scottish Governments. As a result of the delays in audit testing and wider dimension work, the letter provided a summary, which was shorter than the usual report, on key issues identified during the interim audit work completed thus far. 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 2019/20 Accounts.

The letter clarified that testing had not identified any significant control weaknesses, although some less significant issues had been noted and discussed with management to ensure appropriate actions could be taken. These areas were summarised in Appendix 1 and related to payroll reconciliations; system reconciliation; system access; main ledger – feeder reconciliations; and payroll overpayments.

Due to Covid-19 restrictions and staff working at home, full controls testing on the payroll system had not be completed, requiring additional testing to be completed during the External Auditor's year end work with a view to reporting back on any issues in the Annual Audit Report. Other issues commented on included the reliance placed by External Audit on a range of Internal Audit work to avoid duplication of resource and effort.

Having reviewed and summarised the key findings and related action to be taken, in response to Councillor Ireland, Ms Gillen confirmed that some additional work and testing on payroll overpayments and related issues was being done, the results of which would be reflected in the Annual Audit. She clarified that further testing would also be done in relation to 2020/21.

The committee agreed to note the Management Letter and related comments made.

NATIONAL EXTERNAL AUDIT REPORT – SELF-DIRECTED SUPPORT – 2017 PROGRESS REPORT – IMPACT REPORT

1377. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Self Directed Support - 2017 Progress Report – Impact Report* which under the committee's specialisation arrangements had been sent to Councillors Miller and Gilbert for review. The Chief Officer, Health and Social Care Partnership (HSCP) had been asked to provide comments and a copy of her feedback was attached to the report.

The report providing comments, which had also been submitted to the Integration Joint Board (IJB) Performance and Audit Committee on 23 September, referred to the key themes contained within the 2019 Audit Scotland Impact Report; outlined East Renfrewshire HSCP's current Self-Directed Support (SDS) implementation position; and advised of planned self-evaluation activity which would inform the future programme of development.

The key messages and recommendations of the 2017 report were detailed and it was reported that a Thematic Inspection of SDS in 2019, undertaken by the Care Inspectorate, noted similar themes and key recommendations which included concerns about inconsistency across the 32 HSPCs in Scotland. An update on the local actions identified in 2017 was provided and it was reported that overall good progress had been made. However, it was also recognised that further work was required to embed the changes which had already been made; to further refine and analyse data; and review and reflect on the use of SDS during the pandemic in order to inform future development activity.

The committee agreed, in keeping with what had also been agreed by the IJB Performance and Audit Committee: -

- (a) that following local self-evaluation activity, an update on future SDS development activity, should be submitted to the committee; and
- (b) otherwise, to note the report.

NATIONAL EXTERNAL AUDIT REPORT – AFFORDABLE HOUSING – THE SCOTTISH GOVERNMENT’S AFFORDABLE HOUSING SUPPLY TARGET

1378. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Affordable Housing – The Scottish Government’s Affordable Housing Supply Target* which under the committee’s specialisation arrangements had been sent to Councillors Miller and Grant for review. The Head of Environment (Strategic Services) had been asked to provide comments and a copy of his feedback was attached to the report.

The report summarised the findings of Audit Scotland’s report; reported on progress towards the Scottish Government’s affordable housing supply target and assessed what impact it had had; compared the Council’s performance in relation to the national picture; and considered what more required to be done to support the continued increase in affordable housing for those in need. Amongst other things, barriers to the ongoing delivery of affordable housing were identified, which included access to suitable land; higher development costs; and uncertainty regarding future funding arrangements. It was clarified that the Scottish Government, councils and their partners were working to address these barriers, but challenges remained. Reference was also made to limited information from the Scottish Government on funding immediately post 2021 and related issues and challenges; the development by the Scottish Government of its Housing to 2040 vision; and the current review of the Council’s Strategic Housing Investment Plan (SHIP) on which a report was to be submitted to the Cabinet in due course. It was reported that the two distinct areas of East Renfrewshire had very different requirements in terms of the need for affordable housing.

Councillor Grant highlighted the challenges presented by the cost of land in East Renfrewshire and related implications. Whilst referring to a further report that it was proposed be submitted to the committee on social housing, she suggested that it would be useful if this could include reference to the challenges presented by the lack of land on which to build such properties.

The committee:-

- (a) noted the challenges associated with the delivery of affordable housing locally;
- (b) noted that delivery of the existing programme would depend on the Scottish Government’s recovery plan going forward into 2021 along with that of developers upon whom the Council was reliant for project delivery; and
- (c) agreed that the Head of Environment (Strategic Services) submit a report to a future meeting outlining the challenges involved in delivering social housing in East Renfrewshire.

NATIONAL EXTERNAL AUDIT REPORT – PRIVATELY FINANCED INFRASTRUCTURE INVESTMENT: THE NON-PROFIT DISTRIBUTING (NPD) AND HUB MODELS

1379. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Privately Financed Infrastructure Investment: The Non-Profit Distributing (NPD) and Hub Models* which under the committee’s specialisation arrangements had been sent to Councillor Miller and Grant for review. The Director of Environment had been asked to provide comments and a copy of his feedback was attached to the report.

Having clarified that the submission of the report had required to be delayed to allow other priorities, principally linked to addressing issues relating to the COVID-19 emergency to be addressed, the report itemised the 5 key messages within the Audit Scotland report. It was

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clarified that the Scottish Government was developing its approach to using private finance under the Mutual Investment Model (MIM) which would replace NPD and hub forms of private financing. A number of the recommendations were aimed at assisting the Scottish Government, the Scottish Futures Trust and the wider public sector, including councils, as new funding models were introduced. Further comments on the recommendations pertaining to councils, in terms of the local position in East Renfrewshire, were appended to the report.

The committee noted the report.

CHAIR