

**MINUTE**  
**of**  
**AUDIT AND SCRUTINY COMMITTEE**

**Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock, on 18 August 2016.**

**Present:**

Councillor Barbara Grant (Vice Chair)  
Councillor Charlie Gilbert  
Councillor Gordon McCaskill

Councillor Paul O'Kane  
Councillor Ralph Robertson

Councillor Grant in the Chair

**Attending:**

Michelle Blair, Chief Auditor; Margaret McCrossan, Head of Accountancy; Sharon Beattie, Head of HR, Customer and Communications; Barbara Clark, Chief Accountant; Jackie Martin, Corporate Business Manager; Linda Hutchison, Clerk to the Committee; and Jennifer Graham, Committee Services Officer.

**Apologies:**

Councillors Gordon Wallace (Chair) and Tommy Reilly.

**DECLARATIONS OF INTEREST**

**2138.** There were no declarations of interest intimated.

**CHAIR'S REPORT**

**2139.** The following matter was discussed during the Chair's report:-

- (i) Committee's Investigation on Funding for Community and Voluntary Groups

Councillor Grant reported that, following submission of the committee's report on its investigation on funding for community and voluntary groups to the Cabinet in April 2016, the Cabinet had considered and approved a formal response prepared by the Deputy Chief Executive earlier that day.

The committee, having heard Members comment positively on the response, agreed that the report approved by the Cabinet be submitted to the next meeting to review the extent to which the committee's recommendations had been accepted.

## **UNAUDITED ANNUAL ACCOUNTS FOR 2015/16**

**2140.** Under reference to the Minute of the meeting of 21 April 2016 (Page 1907, Item 2028 refers), when it had been noted that the annual discussions between the committee and External Auditor on issues relating to the Council's Annual Accounts prior to their certification based on International Standard on Auditing 260 and discussions on the Annual Accounts for 2015/16 and the Annual Audit Report to the Council and Controller of Audit for 2015/16 would take place at the committee's meeting on 29 September 2016, the committee considered a report by the Chief Executive on the unaudited Annual Accounts for 2015/16 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 surplus for the financial year of £2,595k recorded in the Accounts. After transfers to earmarked reserves, the balance of the Council's non-earmarked General Fund at 31 March 2016 was £8,880k representing 4% of the annual budgeted net revenue expenditure which was in line with Council policy. Transfers totalling £10,786k had been made from the General Fund balance to the Capital Reserve, Modernisation Fund, Repairs and Renewal Fund, and Insurance Fund; capital expenditure of £25,683k had been invested; and an operating surplus of £460k on the Housing Revenue Account had been achieved increasing the accumulated surplus balance to carry forward to £1,413k.

Whilst summarising the financial position, the Head of Accountancy thanked her colleagues for producing the accounts to such a high standard and the result achieved, reiterating that a report on the audited accounts would be submitted to the next meeting.

In response to questions, the Head of Accountancy clarified that it had taken several years to achieve the balance of the Council's non-earmarked General Fund representing 4% of annual budgeted net revenue expenditure in line with Council policy. She commented that it was hoped to keep the level as high as possible in future, adding that future financial settlements could impact on this, that local authorities were expecting to receive a one year financial settlement for 2017/18 due to the outcome of the European Union referendum, and that an extremely difficult financial position was anticipated over the next few years.

The Head of Accountancy clarified that the accounts reflected the Council Tax collected up to 31 March 2016 but that outstanding amounts were collected after that with the aim of achieving a final rate of at least 98%. Having commented on the collection of rent arrears and related issues, she clarified the extent to which councils would be permitted to increase Council Tax and the use that could be made of this, including how additional income collected from households in Council Tax Bands E-G would be used by the Government to address issues in schools on the basis of need and how the grant the Council received would be adjusted to take account of what would be retained by the Government for this.

The committee agreed to note the content of the unaudited annual accounts for 2015/16 and that a report on the final accounts and related documents would be submitted to the next meeting.

### **Variation in Order of Business**

In accordance with Standing Order 19, Councillor Grant agreed to vary the order of business as printed on the agenda in order to facilitate the conduct of the meeting.

## MANAGING ABSENCE

**2141.** Under reference to the Minute of the meeting of 20 August 2015 (Page 1569, Item 1676 refers), when it had been noted that the annual report on absence for 2015/16 would be submitted in due course, 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.

The report explained that the Council had set annual targets towards improvement and that absence levels had improved, the level achieved representing the best performance in the last three years. Having referred to a range of data within the Chartered Institute of Personnel and Development (CIPD) annual survey report 2015 for private, public and non-profit sectors and the related position in East Renfrewshire, the report explained that there was potential for absence levels to continue to be of concern over the next few years associated with planned service reviews. The report provided statistical information on absence trends since 2012/13, highlighting that absence within East Renfrewshire Culture and Leisure Limited was no longer included in the figures provided.

The report highlighted that support in hotspot areas was continuing to be provided, including coaching and mentoring for managers on tackling absence and referred to the top reasons for absence, non-work related stress being the most common. Statistics were also provided on dismissals on grounds of capability and the number of ill health retirements. It was emphasised that improving absence levels through a more robust approach remained a priority for the Corporate Management Team (CMT) and departments.

Whilst commenting on various aspects of the report, the Head of HR, Customer and Communications highlighted the significant improvement in absence levels for 2015/16, adding that the trend had continued into the first quarter of 2016/17. Regarding variations in the way councils measured absence, it was noted that the Society of Personnel and Development had received a proposal from the Improvement Service on the calculation method to help address this on which there was to be consultation.

During discussion, in response to questions, the Head of HR, Customer and Communications reiterated that the top reason for absence was non work related stress and referred to the need to promote further the counselling service for employees and option of employees self-referring. She also provided clarification on a range of other issues including pay arrangements for employees who were absent on a long-term basis for which a national agreement was in place, monitoring of those absent on a long-term basis, and managing absence linked to some of those granted voluntary redundancy. It was confirmed that a request had been made to the Culture and Leisure Trust to share absence figures.

The committee noted:-

- (a) regarding variations regarding the way Councils measure absence, that the Society of Personnel and Development had received a proposal from the Improvement Service on the calculation method to help address this on which there was to be consultation and that the outcome of this initiative would be reflected in future reports as appropriate;
- (b) the improvement in absence ratings, supporting the range of approaches being taken to further reduce absence levels across the Council; and
- (c) that the next annual report on managing absence for 2016/17 would be submitted to the committee in August 2017.

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### **Resolution to Exclude Press and Public**

At this point in the meeting, on the motion of the Chair, the committee unanimously resolved that in accordance with the provisions of Section 50A(4) of the Local Government (Scotland) Act 1973, as amended, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 1 Part I of Schedule 7A to the Act.

### **SUMMARY OF EARLY RETIREMENT/REDUNDANCY COSTS TO 31 MARCH 2016**

**2142.** The committee considered a report by the Deputy Chief Executive summarising the position on early retirement/redundancy costs from 1 April 2015 to 31 March 2016. The total costs incurred and projected savings was provided. It was explained that the Council had continued to undertake targeted restructuring resulting in various voluntary redundancies and early retirements to support budget reductions.

The Head of HR, Customer and Communications confirmed that restructuring costs were taken into account when considering cases for redundancy and early retirement but that those relating to any subsequent consultancy were not, although these were not considered large. She clarified that figures relating to the Culture and Leisure Trust were not included in such reports, but that any relating to the Integrated Joint Board would be.

The committee:-

- (a) agreed that in future such reports should provide a more detailed breakdown of information by department, as had been provided at one stage previously; and
- (b) otherwise, noted the content of the report, the explanations provided for early retirement/redundancies within the period it covered and related projected savings.

**The public was re-admitted at this point in the meeting.**

### **RISK MANAGEMENT PROGRESS**

**2143.** Under reference to the Minute of the meeting of 3 March 2016 (Page 1808, Item 1931 refers), when progress on risk management generally had been noted, the committee considered a further such report by the Chief Executive on progress made in recent months.

It was reported that the Corporate Risk Management Group had met frequently during the past year to share best practice and discuss the challenges of delivering risk management within changing structures. A recent internal audit report on risk management had highlighted that key risks had been discussed within departments and that further methods should be agreed to mainstream risk management within day to day operations. Reference was also made to corporate training on risk management, customised risk workshops for groups of employees, and high operational risks including a loss of budgetary income and the stretching of existing resources as a result of national and legislative requirements and government initiatives and action to mitigate the effects of these.

During discussion on the Strategic Risk Register, including consideration being given to emerging risks linked to the outcome of the recent referendum vote to leave the European Union (EU), Members commented that it was not too early to consider this such as in terms of risk associated with EU funding streams and the impact on the economy. The challenged of councils planning local services when the level of their future funding remained uncertain was commented on and related issues discussed.

The committee noted:-

- (a) that a report on the Strategic Risk Register would be submitted to the next meeting; and
- (b) otherwise, progress made with risk management generally in recent months.

### **EXTERNAL AUDIT REPORT - CHANGING MODELS OF HEALTH AND SOCIAL CARE**

**2144.** The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *Changing Models of Health and Social Care* which was the second of three reports on this major reform programme and which, under the committee's specialisation arrangements, had been sent to Councillors Grant and Reilly for review. The Chief Officer Health and Social Care Partnership (HSCP) had been asked for comments and her feedback was attached to the report.

The report referred to projected population increases linked to longer life expectancy, the related issue of people living longer with multiple long term conditions and increasingly complex needs, and how these may be dealt with. Having referred to various new models across Scotland designed to deliver more care to people in community settings and that it was too early to assess their suitability long term, the report highlighted the need for performance monitoring to report on the impact of integration; shared analysis to inform the redesign of local services based on good practice elsewhere; a longer term approach to implementing new care models; and clear business plans outlining timescales, resources, and costs amongst other things. It was highlighted that East Renfrewshire had a well developed and integrated local health and care service through the long standing partnership between the Council and NHS Greater Glasgow and Clyde. Appended to the report was information on the local position in relation to the recommendations in the report and the Integration Joint Board.

The committee:-

- (a) noted that arrangements were being finalised for Councillors Grant and Reilly to observe the next meeting of the East Renfrewshire Integration Joint Board Audit and Performance Committee to observe its approach to scrutiny and that they would report back on this at a future meeting; and
- (b) otherwise, noted the report.

### **INTERNAL AUDIT ANNUAL REPORT 2015/16**

**2145.** The committee considered a report by the Chief Auditor regarding the annual report on the activities of internal audit during 2015/16, and providing an independent annual opinion on the adequacy and effectiveness of the internal controls operating within the Council.

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The Chief Auditor commented on the implementation of the plan during which she reported that satisfactory responses had been received to all audits, and provided further information on nine recommendations across four audits which had not been fully accepted by management and the related reasons provided which had been accepted. She also summarised the position on various potential fraud and contingency related issues, and referred to an update to be submitted by the Chief Financial Officer HSCP to the next meeting of the committee on the implementation of the action plan prepared on the internal audit report on payments to HSCP providers, clarifying that all overpayments referred to in that report had been recovered and that implementation of the actions taken remained to be checked by Internal Audit. She highlighted that her section continued to have an excellent working relationship with External Audit.

In response to Members, she provided further clarification on an internal audit recommendation about council tax staff checking that entitlement to the Council Tax single person discount remained valid annually which had not been accepted by management on the basis of this being very resource intensive and because evidence indicated that the caseload of sole occupancy discounts tied in with census information. Some Members of the committee indicated that they were not fully satisfied with the management response provided, commenting on the total financial scale of the discount, the possibility of checking a sample of cases annually or every case periodically such as every third year, and referring also to the importance of pursuing any allegations of fraud linked to the discount.

The committee, following discussion:-

- (a) agreed to approve the Annual Statement on the Adequacy of Internal Controls and submit it to the Council;
- (b) noted that an update on the implementation of the action plan associated with the Internal Audit Report on Payment to Care Providers was to be submitted to the next meeting by the Financial Officer HSCP;
- (c) agreed regarding the internal audit report prepared during the year on Council Tax Reductions and Liability, that it be drawn to management's attention that the committee was not fully satisfied with the response received by the Chief Auditor to a recommendation made about reviewing entitlement to the single person discount annually; and
- (d) otherwise, noted the internal audit annual report 2015/16.

## **INTERNAL AUDIT PLAN PROGRESS REPORT**

**2146.** The committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2016/17 internal audit plan from 1 April to 30 June 2016. The report confirmed the number of reports issued during the quarter and that satisfactory management responses had been received in all cases.

During discussion and in response to questions, the Chief Auditor commented on various elements of audit work and related findings, highlighting that the outcome of an audit on cash catering at Council Headquarters and the Barrhead Offices was amongst those on which an internal audit report would be completed in due course. She also commented on some work undertaken under the time allocated to fraud and contingency, related findings and recommendations and the purpose of some regulatory audits.

The committee, following discussion, agreed to note the report.

## **REVIEW OF INTERNAL AUDIT CHARTER**

**2147.** Under reference to the Minute of the meeting of 21 August 2014 (Page 1123, Item 1172 refers), when the Internal Audit Charter was approved, the committee considered a report by the Chief Auditor seeking approval of a revised Charter.

It was clarified that the Charter should be reviewed periodically to ensure it remained fit for purpose. Following a recent review, it had been considered appropriate to make some minor changes to the content of the Charter to take account of additional responsibilities relating to the Integration Joint Board and the East Renfrewshire Culture and Leisure Trust.

The committee agreed to approve the revised Internal Audit Charter.

CHAIR

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