

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

**Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 23 April 2015.**

**Present:**

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

Councillor Paul O’Kane  
Councillor Tommy Reilly  
Councillor Ralph Robertson

Councillor Wallace in the Chair

**Attending:**

David Miller, Head of Revenues; Candy Millard, Head of Strategic Services; Rosemary Beekman, CHCP Finance Business Partner; Sharon Beattie, Human Resources Manager; Michelle Blair, Chief Auditor; Linda Hutchison, Clerk to the Committee; and Ron Leitch, Committee Services Officer.

**Also Attending:**

Brian Howarth and Liz Maconachie, Audit Scotland.

**DECLARATIONS OF INTEREST**

**1537.** There were no declarations of interest intimated.

**CHAIR’S REPORT**

**1538.** Councillor Wallace reported and it was noted that there were no issues which he wished to bring to the committee’s attention at this time.

**WORKFORCE PLANNING**

**1539.** Under reference to the Minute of the meeting of 5 March 2015 (Page 1369, Item 1449 refers) when it had been agreed to invite the Human Resources (HR) Manager to this meeting to comment on various workforce succession planning issues Members of the committee had raised, Councillor Wallace invited the HR Manager to make a brief presentation.

The HR Manager explained the extent to which workforce planning was considered by the Corporate Management Team (CMT) on a 6-monthly basis and that departments considered related issues to help plan effectively, referring to a range of factors which influenced planning. Having reported that the Council's workforce had fallen to 3802 full-time equivalents (FTE) within the last 6 months, the lowest level since April 2009, she commented on why staff turnover had started to increase during the past year, the number of employees on the redeployment register, and on why an ageing workforce and the removal of the statutory retirement age made it harder now to predict how many employees would choose to retire at any given time. She confirmed that the planned retiral of a Chief Officer had led to the associated risk on the Strategic Risk Register increasing to high temporarily and referred to mitigating action taken to address the risk which included recruiting a Service Manager and redistributing responsibilities.

Thereafter the HR Manager summarised the aims of succession planning within the Council, referred to a related toolkit introduced in 2012, and highlighted that departments reviewed their succession plans regularly including the position on critical posts and potential single points of failure. In addition, it was clarified that service reviews were ongoing, managers discussed development plans through the employee Performance Review and Development (PRD) process, and management development programmes and access to training were pursued. The HR Manager itemised ways planning was being improved further, including through the development of an organisational development (OD) strategy, a review of the toolkit, the updating of PRD training and guidance, the development of new leadership competencies, and launch of new leadership programmes. The HR Manager also outlined sources of feedback on workforce planning issues, including through the annual budget setting process, the How Good Is Our Service (HIGOS) initiative; and employee engagement.

In response to questions, further clarification was provided on action taken to mitigate the risk associated with the forthcoming retiral of the Head of Revenues and related issues. The HR Manager also commented on workforce planning related action taken by departments, the review of related policy to reflect changes to the organisational environment in which departments were operating, and the development of the OD strategy including why work on this was being taken forward now. She also commented on recruitment matters such as issues that impacted on whether or not posts were advertised on a fixed-term or permanent basis, the proportion of the workforce engaged on short-term or temporary contracts, the redeployment of some employees, and age at which employees retired which would increase in future and related matters including changes to pension provisions which may result in employees wishing to retire before 2020. Whilst referring to the extent the Education Department advertised school-based posts, she clarified that the pool of permanent supply teachers was being increased to help address a general shortage of supply teachers, that the average age of teaching staff was lower than that of other Council employees, and that current workforce planning took account of planned and anticipated budget reductions over the coming 3 years.

Referring to the issue of staff leaving the Council and later being re-employed in another capacity, the HR manager referred to 13 staff returning on either temporary or permanent contracts and confirmed that none of the individuals had received redundancy payments beforehand. She also referred to future legislative changes that would limit the extent to which those earning in excess of £100k could be re-employed and related issues.

The committee, having heard Councillor Wallace thank the HR Manager for an interesting and informative presentation, agreed:-

- (a) that the HR Manager provide a further update on workforce planning issues in 6 months time; and
- (b) otherwise, to note the position.

#### **LOCAL EXTERNAL AUDIT REPORTS – HOUSING BENEFIT PERFORMANCE AUDIT AND REVIEW OF HOUSING BENEFIT CLAIMS**

**1540.** Under reference to the Minute of the meeting of 5 March 2015 (Page 1368, Item 1448 refers) when it had been agreed that the Head of Revenues submit further information on various issues associated with the local external audit report on the Outcome of a Risk Assessment Associated with Housing Benefit Performance, the committee considered a report by the Head of Revenues on the issues on which clarification had been sought, including progress implementing an associated action plan, a copy of which accompanied the report. The report also provided comments on a further local external audit report on the Review of the Auditors' Housing Benefit Subsidy Claim Reported Errors.

The main areas on which further clarification was provided on the first report were the recovery of overpayments in respect of council tenants with arrears; circumstances when such action was not pursued; the approach taken by other local authorities on this; the position on benefit overpayments to private landlords; and progress implementing the related action plan. In respect of housing benefit subsidy claim errors, the report quantified housing benefit provided to tenants from all sectors and the amount received from the Department for Work and Pensions (DWP) in terms of subsidy which equated to 98.2% of the total paid out. Auditors had reported a discrepancy of £632 between the benefits system and underlying Council systems but the lower figure had been claimed from DWP resulting in no overclaim of subsidy.

During further explanation, the Head of Revenues referred to progress implementing the action plan, confirming that 10 of the 12 actions listed following the Audit Scotland Risk Assessment in December 2014 had been completed and outlining steps being taken to complete the outstanding actions. Amongst other things he referred to improvements made to processing times for new housing benefit claims and dealing with changes of circumstances and the recovery of overpayments and related issues, including the length of time it took to recover these, a recent change of policy on this, how the local approach was broadly similar to that of other authorities and the position in respect of private landlords. He highlighted that the majority of debt had been outstanding for a long period of time. The Head of Revenues also referred to various types of accommodation for which housing benefit subsidy was not claimable such as in respect of homeless accommodation and the women's aid hostel. Responding to further comments, the Head of Revenues clarified that the level of rent arrears was reducing.

The committee, having heard Councillor Wallace on behalf of the committee extend his good wishes to the Head of Revenues on his forthcoming retirement, agreed to note the report.

**EXTERNAL AUDIT REPORT – SELF-DIRECTED SUPPORT**

**1541.** Under reference to the Minute of the meeting of 14 August 2014 (Page 1121, Item 1169 refers) when the committee had considered a report by the Director of the Community Health and Care Partnership on the Auditor General and Accounts Commission report on Self-Directed Support (SDS) and agreed that a further update be provided in 6 months on those issues referred to within an associated self-assessment checklist prepared locally on which improvement was required, the committee considered a report by the director on the update requested.

The report explained that the actions previously identified for further action related to planning, leadership and budget management and provided an update on related activity making particular reference to the monitoring of expenditure against financial plans and readiness to take action to avoid potential overspend. Regarding planning for SDS in relation to children's services, the report referred to significant pilot activity undertaken with children and families affected by disability and a related report and recommendations approved by the CHCP Committee in April 2015 on implementation of SDS for children and young people in East Renfrewshire. It was clarified that related multi-agency planning and action would be taken by the Children's Services Core Group (CSCG). It was explained that it had been recognised that the current community care assessment process no longer fitted with the SDS planning process, with various partnership approaches having commenced to redevelop this.

Having commented on the lead role being taken by the Rehabilitation and Enablement Services Manager for SDS for the CHCP, reference was made to budget management issues including considerable work undertaken to implement the CareFirst Finance system on which significant progress had been made. It was confirmed that the system was now live for Older People and Physical Disability Services, was being rolled out for Learning Disability Services, and would be rolled out soon for Mental Health Services and invoice payment. The report summarised various operational aspects of the new system which, amongst other things, recorded financial commitments at the point services were commissioned, provided a related database of information on supported individuals and in aggregate replacing numerous spreadsheets and forms, provided clearer and more timely information on commitments against budgets helping to determine action to avoid overspends, allowed care package trends to be monitored, and improved financial control. Reference was made to various reports that could be generated to ensure the integrity of system data, such as on when a service agreement required to be ended for a client to ensure no further payment could be made. It was highlighted that further development of processes was underway to improve the verification of delivered services by third party providers.

Whilst commenting on planning issues, the Head of Strategic Services referred to work on children and families issues such as those affected by disabilities and clarified that work on community care was part of a ten year strategy and that further work required to be done on assessment. Regarding budget management, she highlighted that many issues were to be developed further and commented on implementation of the new CareFirst Finance system in respect of which she explained that it had further capacity to be used in future. The Head of Strategic Services, supported by the CHCP Finance Business Partner, explained that features of the system included that it could provide live information helping to take forward work on care commitments against available budget, help check service provision arranged against related invoices, improve cost control and aid decision making.

The Head of Strategic Services acknowledged that some care cost related difficulties had been identified adding that this would be the focus of an internal audit report which was in

preparation and undertaking to update the committee in due course. Councillor Wallace, supported by other Members, asked about a specific issue that had come to light of a payment to a care provider following the death of a client, seeking clarification on various issues including the scale of the overpayment and if this was an isolated incident. The CHCP Finance Business Partner, supported by the Head of Strategic Services, confirmed that she was unable to comment on the detailed position at present, further information on which was not yet available. However she commented that use of the CareFirst Finance system would help prevent this occurring in future. The Chief Auditor stated that this issue was not an isolated one and that the total sum involved could be significant. In response to Members, she undertook to provide a copy of the report she was preparing for circulation to Members.

During further discussion, the CHCP Finance Business Partner reported that it had been recognised that the current systems being replaced by the CareFirst Finance system were not fit for purpose, that the new system was being implemented on a phased basis, and that the facility to use it for charging would be implemented in due course.

It was confirmed that care service provision was reviewed when care needs changed, sometimes under an emergency situation, or the financial position changed. The Head of Strategic Services and CHCP Finance Business Partner also commented on the difficulty of predicting specific care needs and the potential for care packages for individuals to be expensive in respect of which related financial challenges and how the new system would work were commented on. Regarding the generation of weekly compliance reports through the new system referred to in the report, it was confirmed that their future introduction would be part of the phased implementation of the new arrangements.

The committee agreed:-

- (a) that at the next meeting the Chief Auditor would update the committee on the preparation and finalisation of the internal audit report on CHCP payment issues;
- (b) that when the report on the internal audit work being progressed on CHCP payment issues had been completed, the Chief Auditor would supply a copy to the Clerk for circulation to Members;
- (c) that in due course, when the internal audit report on CHCP payment issues had been completed and circulated to members for their review, a view would be taken on when the Head of Strategic Services should next attend a meeting of the committee to discuss the issues raised; and
- (d) otherwise, to note the report.

## **EAST RENFREWSHIRE COUNCIL – ANNUAL AUDIT PLAN 2014/15**

**1542.** The committee considered a report by the External Auditor regarding the 2014/15 Annual Audit Plan. The report referred to the approach adopted by Audit Scotland to discharge its responsibilities as External Auditor to the Council.

The Annual Audit Plan summarised planned audit activity. This included an audit of financial statements and providing an opinion on whether or not they gave a true and fair view of the financial position of the Council as at 31 March 2015, its income and expenditure for the year ending 31 March 2015, and also whether or not the accounts had been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2014/15 Code of

Practice on local authority accounting in the United Kingdom. Planned work also included an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority was the sole trustee; reporting the findings of the shared risk assessment process in a Local Scrutiny Plan summarising identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year; and a review and assessment of the Council's governance and performance arrangements in various key areas including a review of the adequacy of internal audit; a review of the Council's governance statement; and a review of the Council's business continuity plans. Remaining activity would include providing an opinion on various grant claims and returns including the Whole of Government Accounts if required; and reporting on National Fraud Initiative arrangements and results.

Reference was also included in the report to the Audit approach and associated reporting arrangements. Appended to the report was a list of planned audit outputs in diagrammatic form and a list of the significant audit risks and the related sources of assurance received and audit work proposed to secure additional assurance.

During further explanation, Mr Howarth drew attention to the reliance to be placed on various aspects of the Chief Auditor's work and the summary of planned audit activity within the report and various materiality issues, confirming that for 2014/15 planning materiality had been set at 1% of gross expenditure equating to £3million, with performance materiality set at £750,000, and with misstatements greater than £30,000 to be reported to those charged with governance. Having referred to various audit issues and risks itemised within the report including the requirements of new accounting regulations, the common good fund and business continuity plans, he referred to some changes made to the financial statements audit timetable in line with requirements of new accounting regulations. Referring to the audit work on CHCP payment issues referred to in the previous item (Item 1541 refers), he referred to the possibility of the performance materiality threshold being exceeded and also to related issues in terms of the external audit fee, adding that he considered it necessary to bring this issue to the committee's attention at this stage.

The committee, noted:-

- (a) 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 as well as discussions on the Annual Accounts for 2014/15 and the Annual Audit Report to the Council and Controller of Audit for 2014/15 would take place at the meeting of the committee on 24 September 2015;
- (b) that in light of the audit work being undertaken linked to CHCP payment issues (Item 1541 above refers), the External Auditor might need to review the agreed audit fee for 2014/15 in respect of which further clarification would be provided by the External Auditor in due course and the position confirmed to members; and
- (c) otherwise, the Annual Audit Plan 2014/15.

#### **INTERNAL AUDIT STRATEGIC PLAN 2015/16 – 2019/20**

**1543.** The committee considered a report by the Chief Auditor on the Internal Audit Strategic Plan for 2015/16 to 2019/20 which included the proposed annual audit plan for 2015/16. Comments were provided on staffing resources within the Internal Audit section and how these impacted on the implementation of the plan.

Referring to the formulation of the plan, the Chief Auditor explained that it had been prepared following consultation with key partners and clarified, amongst other things, that some new audits had been added. These included in respect of the records management plan; violent warning marker scheme; and gas servicing. Referring to the establishment of the Community and Leisure Trust, she confirmed that 20 audit days has been included in the plan for providing an internal audit service to Community and Leisure Limited (CLL) under a service level agreement. Referring to audit needs compared to the resources available, she confirmed that over the 5-year period of the plan there was a projected shortfall of 296 audit days equating to approximately 59 days per annum which she considered manageable at present but which would be kept under review. A number of audits had been rescheduled to ensure that planned audits for 2015/16 could be met through the estimated days available. The Chief Auditor confirmed that the current staffing level within her section was considered adequate on the assumption that a temporary employee would be taken on for 6 months on a full-time basis to cover maternity leave.

Responding to comments from Members, the Chief Auditor explained that Internal Audit services were amongst a range of services that would be provided by the Council to CLL for its first 3 years after which it would be free to make alternative arrangements, confirming that any such audit reports would be submitted to the Trust for consideration. During discussion on other governance and reporting arrangements in respect of the Trust, Mr Howarth commented that some other councils which already provided services through arms-length external organisations (ALEOs) made arrangements for the Chief Executives to report to a Council scrutiny body periodically on risk related issues.

In response to Councillor Grant who referred to the register of interests for employees, Mr Howarth reiterated that a very small number of organisations required all of their employees to provide feedback on this annually.

The committee agreed to approve the Internal Audit Strategic Plan for 2015/16 to 2019/20.

## **EXTERNAL AUDIT REPORT – 2014/15 REVIEW OF ADEQUACY OF INTERNAL AUDIT**

**1544.** Under reference to the Minute of the meeting of 12 June 2014 (Page 1060, Item 1109 refers), when the committee had noted the findings of the annual overview of Internal Audit for 2013/14, the committee considered a report by the Clerk regarding the findings of the External Auditor on the preliminary assessment of the Council's Internal Audit function for 2014/15 which, under the committee's specialisation arrangements, had been sent for detailed review to Councillors Wallace and Robertson.

The report clarified that the External Auditor had concluded that the Internal Audit section complied with best practice and applied appropriate documentation, standards and reporting procedures, and referred to the reliance to be placed on and assurances to be drawn from Internal Audit's work on various issues.

The committee agreed to note the report.

## **COMMUNITY GRANTS INVESTIGATION**

**1545.** Under reference to the Minute of the meeting of 5 March 2015 (Page 1370, Item 1451 refers) when a proposed way forward with the community grants investigation had been discussed, it was explained that a considerable amount of raw data had been provided by departments in response to requests from the Clerk on behalf of the committee.

1456

Councillor Wallace referred to the importance of funding being allocated to groups in a consistent and transparent way, confirming that the investigation had expanded to cover not only community grants but other sources of funding made available to community groups by the Council. It was explained that a number of meetings were being arranged details of which would be confirmed by the Clerk as appropriate.

Following brief discussion the committee agreed:-

- (a) to note that meetings to progress the work further were being arranged as required to which various members would be invited as necessary; and
- (b) otherwise, to note the position.

CHAIR