

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

**Minute of Meeting held at 3.00pm in the Council Chamber, Council Headquarters, Giffnock on 24 September 2015.**

**Present:**

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

Councillor Wallace in the Chair

**Attending:**

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Barbara Clark, Chief Accountant; Liz Lyon, Senior 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**

**1727.** There were no declarations of interest intimated.

**CHAIR’S REPORT**

**1728.** 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.

**ANNUAL ACCOUNTS FOR THE COUNCIL’S CHARITABLE TRUSTS AND EXTERNAL AUDIT REPORT FOR 2014/15**

**1729.** The committee considered a report by the Chief Executive explaining that the audit of the 2014/15 Annual Accounts for the seven charitable trusts for which the Council acted as trustee had been completed, and submitting a copy of these to the committee for consideration. The External Auditor’s report in respect of the trusts, prepared in compliance with International Standard on Auditing (ISA) 260, was also submitted for consideration.

The Head of Accountancy explained that, following a change in reporting rules, this was the first time this level of detail on the Accounts had been submitted to the committee, clarifying that they also needed to be considered by the Council later that day which would allow them to be certified by the required deadline of 30 September.

In response to questions, the Head of Accountancy clarified that all payments made from the funds required to comply with the Trusts' terms; that awareness of the availability of the funds was raised to a degree considered appropriate; and issues relating to the management and investment of the funds. She also clarified that Legal Services had been consulted on the possibility of consolidating the trust funds into a single one, but that it had been concluded that the associated costs, including to advertise this as required, were prohibitive relative to the total value of the funds themselves. Councillor Wallace commented that reference to the funds might be made in the report the committee was preparing on community grant issues. It was clarified that the trusts funds could not be considered as part of the Common Good Fund.

The committee agreed to:-

- (a) note the Annual Accounts for 2014/15 for each of the Council's seven charitable trusts for which the Council acted as trustee and related comments made;
- (b) note the External Auditor's report on matters arising from the audits of these registered charities for 2014/15 under requirements of ISA 260; and
- (c) remit the report to the Council for consideration.

## **EAST RENFREWSHIRE COUNCIL ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR 2014/15**

**1730.** Under reference to the Minute of the meeting of 20 August 2015 (Page 1568, Item 1675 refers), when the committee had noted the unaudited Annual Accounts for 2014/15 and that a report on the final Accounts and associated Annual Audit Report to the Council and the Controller of Audit would be submitted to this meeting, the committee considered a report by the Chief Executive regarding the Annual Accounts for 2014/15, the associated draft Annual Audit Report prepared by the External Auditor which would be issued in final form after the financial statements had been certified, and a further report by the External Auditor on matters arising from the audit of the Council's financial statements for 2014/15 reported under ISA 260 requirements. The draft Audit Report provided an overview of the main issues arising from the 2014/15 audit.

The Council had received an audit certificate which was unqualified. An overall surplus of £1.138m had been recorded in the Accounts. After transfers to earmarked reserves, a sum of £0.526m had been added to the non-earmarked General Fund reserve resulting in a balance of £9.034m as at 31 March 2015. This represented 4.1% of the annual budgeted net revenue expenditure which was in line with Council policy on this.

Transfers totalling £4.414m had been made from the General Fund balance to specific reserves and capital expenditure of £20.833m had been invested. An operating surplus of £0.446m had been achieved on the Housing Revenue Account resulting in an accumulated surplus balance to carry forward of £0.953m.

The Head of Accountancy welcomed that the Accounts had received an audit report that was unqualified and explained that the Council's overall financial position continued to be satisfactory.

Councillor Robertson and Councillor Grant referred to the audit findings on the overpayment of scheduled payments to providers of services to individuals with learning disabilities and also on community alarm income and, supported by Councillor Reilly, their related concerns about the time it had taken for the matters identified to come to light and the potential role of staff reductions in what had occurred. In reply the Head of Accountancy commented that an absolute guarantee could never be provided that the situations that had arisen would not arise again, but added that they were not expected to recur. She explained how the problem with the scheduled payments had arisen and commented on the effort made to address the issue, referring to the new finance module (CareFinance) being rolled out as part of the CareFirst system, how it operated, associated benefits, related and widespread training being provided, the tightening of controls and an ongoing review of the structure of various teams. It was confirmed that CareFirst was in use daily, that use of the CareFinance module was being phased in, and that related training was expected to be completed by March 2016. In respect of the community alarms issue, the Head of Accountancy explained why the lack of billing had been overlooked and the more robust approach now adopted.

In response to comments from Councillor Wallace who echoed the concerns raised by other Members and asked if internal audit should consider further, including through sampling, work related risks linked to the reduction in the Council's workforce and loss of key personnel, Mr Howarth commented on the use of and issues linked to sampling as part of audit work. He clarified that as of 31 March 2014 reconciliations linked to scheduled payments had not been updated to the extent they should have been and how this had been addressed during 2014/15, making reference also to further extensive department wide audit work carried out to seek assurances that the matters identified were isolated. Mr Howarth stated that it had been concluded that they were quite isolated and referred to the related action plan put in place. In response to Councillor McCaskill who asked about the extent to which issues that arose had been raised with service providers, Mr Howarth referred to complexities associated with care packages and related contracts, and reported that Legal Services was looking at some related contract issues which it was thought would be helpful. He added that the Council was not alone in terms of experiencing problems associated with care packages and referred to a renewed audit interest in individual financial assessments. It was confirmed that a detailed report from the Chief Auditor on the issues that had arisen was nearing completion which would say more about various issues.

Referring to staffing reductions, Mr Howarth commented that an associated loss of service had not been identified, but added that an impact on the ability to bill or recover money had started to be seen. He said that internal audit might wish to consider directing more resources to considering the risks associated with staffing reductions.

More generally, Mr Howarth highlighted the key messages contained in the Audit Report which included that the Council's governance arrangements operated effectively although significant weaknesses has been identified with some CHCP financial systems as referred to previously. In response to Councillor Wallace, who raised the reference within the report to the lack of a council-wide business continuity plan and asked if other councils were in a similar position, Mr Howarth commented that he did not think this was an issue elsewhere.

In response to Councillor Grant who asked what locus, if any, the committee would have in future in Health and Social Care Partnership issues such as those referred to at the meeting, the Clerk confirmed that a report on this and the position on the Leisure Trust had been requested and was to be prepared.

The committee agreed to:-

- (a) note the content of the Council's Annual Accounts for 2014/15 and related comments made;
- (b) note the Draft Annual Audit Report to the Council and Controller of Audit 2014/15 and the External Auditor's report on matters arising from the audit of the Council's 2014/15 Financial Statements prepared under requirements of ISA 260; and
- (c) remit the report to the Council for consideration.

### **ANNUAL TREASURY MANAGEMENT REPORT 2014/15**

**1731.** Under reference to the Minute of the meeting of 15 January 2015 (Page 1276, Item 1357 refers), when it had been agreed to note and recommend to the Council that the Treasury Strategy Statement Report 2015/16 be approved, the committee considered a report by the Chief Executive providing details of the Council's treasury management activities for the year ending 31 March 2015 and seeking approval to recommend to the Council that a list of organisations for the investment of surplus funds be approved.

The report referred to a well-managed treasury function within the Council and related issues, commenting that the Council continued to adopt a prudent approach to treasury management and that stability in borrowing assisted the Council respond to current, national, economic pressures. The submission of the report to the committee, prior to its submission to the Council, was in line with recommendations in the national external audit report on Borrowing and Treasury Management in Councils published earlier in 2015.

Having heard the Head of Accountancy in respect of the report, in response to Councillor Robertson, she clarified that the Council had quite a lot of residual borrowing which had been contracted when interest rates were relatively high and that the average interest rate would reduce over time.

The committee agreed to:-

- (a) note the Treasury Management Annual Report for 2014/15; and
- (b) recommend to the Council that the organisations specified in the report for investment of surplus funds be approved.

### **EXTERNAL AUDIT REPORT – STATUTORY PERFORMANCE INFORMATION 2013/14: AN EVALUATION OF COUNCILS' RESPONSES TO THE 2012 DIRECTION**

**1732.** The committee considered a report by the Clerk on the publication by the Accounts Commission of a report entitled *Statutory Performance Information 2013.14: An Evaluation of Councils' Responses to the 2012 Direction* which, under the committee's specialisation arrangements for dealing with external audit reports, had been sent to Councillors Wallace and Grant for review. The Head of Customer and Business Change Services had been asked to provide comments and a copy of her feedback was attached to the report.

The feedback explained that the Council had performed very well in the assessment of 2013/14 material, being ranked joint third in Scotland, and had been highlighted as an area of good practice for its approach to balanced reporting. Having referred to common areas of weakness across all councils such as a reliance on data tables and limited use of infographics, specific areas for improvement for the Council were itemised relating to procurement and criminal justice social work in respect of which plans were already in place. Reference was also made to other service areas, including children's social work services, planning and waste management, which scored positively but in respect of which it had been suggested that a wider range of up-to-date information be considered. All departments had been asked to consider the report findings and make any necessary changes to their public performance reporting content. Reference was also made to performance information that had already been updated, improved or was being looked at and it was clarified that progress would be monitored through annual audit, shared risk assessment and Best Value audit processes.

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

CHAIR

