

MINUTE
of
AUDIT AND SCRUTINY COMMITTEE

Minute of Meeting held at 2.30pm in the Council Chamber, Council Headquarters, Giffnock on 13 November 2014.

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; Candy Millard, Head of Strategic Services; Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; Jackie Martin, Corporate Business Manager; Kevin Beveridge, Commissioning and Development Coordinator; Linda Hutchison, Clerk to the Committee; and Jennifer Graham, Committee Services Officer.

Also attending:

Liz Maconachie, Audit Scotland.

DECLARATIONS OF INTEREST

1284. There were no declarations of interest intimated.

CHAIR’S REPORT

1285. The following matters were discussed during the Chair’s report:-

(i) Committee’s Work on Procedural Issues

Under reference to the Minute of the meeting of 12 June 2014 (Page 1059, Item 1108 refers), when it was agreed that a meeting between representatives of the committee and the Human Resources Manager be convened to allow some concerns held on access to corporate personnel circulars to be discussed and to seek further legal clarification on a criminal conviction check issue, Councillor Wallace confirmed that the position on both of these issues had been discussed at a recent meeting between representatives of the committee and the Council’s Human Resources Manager and Policy and Employment Law Adviser. Issues discussed had included the various communication channels used to distribute information on HR policies and issues.

Councillor Wallace reported that the Members attending the meeting had indicated that they were satisfied with the further clarification provided, including on plans to check the position on any driving convictions of those driving on business more frequently than annually. On that basis he proposed that it be recorded formally that the committee considered these matters and its work on the procedural issues investigation complete.

(ii) Review of Community Grants

Under reference to the Minute of the meeting of 25 September 2014 (Page 1172, Item 1231 refers), when the proposed scope of the committee's review of community grants was approved, Councillor Wallace explained that he had been liaising with the Clerk on a range of draft questions to pose initially to those dealing with applications for grants to voluntary and community organisations. He requested that any proposed changes to those now circulated be submitted to the Clerk by 17 November to allow them to be finalised and issued to the Head of Democratic and Partnership Services later that week. Councillor Wallace also reported that some further information on grants that had been collated would be circulated shortly by the Clerk for Members to review.

The committee agreed:-

- (a) that its work on procedural issues was now fully complete;
- (b) that Members would provide feedback to the Clerk on the draft questions compiled on community grants by 17 November to allow them to be finalised and issued to the Head of Democratic and Partnership Services for a response; and
- (c) to note that some further information on grants that had been collated would be circulated shortly by the Clerk for Members to review.

EAST RENFREWSHIRE COUNCIL ANNUAL ACCOUNTS AND ANNUAL AUDIT REPORT 2013/14

1286. Under reference to the Minute of the meeting of 25 September 2014 (Page 1170, Item 730 refers), when it was noted that a report would be submitted to this meeting on the Annual Accounts and associated Annual Audit Report to the Council and the Controller of Audit, the committee considered a report by the Chief Executive regarding the Annual Accounts for 2013/14 and the associated Annual Audit Report prepared by the External Auditor. The Audit Report provided an overview of the main issues arising from the 2013/14 audit.

The Council had received an audit certificate which was unqualified. An overall surplus of £1.385m had been recorded in the Accounts and during the year the General Fund had increased to £14.9m. After transfers to earmarked reserves, a sum of 0.011m had been deducted from the non-earmarked General Fund reserve resulting in a balance of £8.508m at 31 March 2014. This represented 4% of the annual budgeted net revenue expenditure which was in line with Council policy on this.

Transfers totalling £5.3m had been made from the General Fund balance to specific reserves and capital expenditure of £21.54m had been invested. An operating deficit of £415,000 had been incurred in the Housing Revenue Account resulting in an accumulated surplus balance to carry forward of £507,000.

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 which would help the authority face the financial challenges that lay ahead.

Having referred to the new format of the Annual Audit Report, Ms Maconachie highlighted key messages within it including on the Council's stable financial position, adding that the Council had again actively managed its resources well under difficult circumstances. She commented on various other issues referred to in the Annual Audit Report including a reduction in income in 2013/14 of £6.2m due to a reduction in capital grants and the transfer of Police and Fire Services associated with which revenue grants from the Scottish Government had reduced, these changes having been offset by additional income generated by services and the sale of assets. Reference was also made, amongst other things, to the ISA 260 report submitted to the committee in September; the level of allocated and unallocated General Fund reserves, including as a proportion of net revenue expenditure; and treasury management, governance and accountability issues. It was confirmed that Audit Scotland had recently completed a national review of borrowing and treasury management in councils the report on which was scheduled to be published in January 2015.

Having commented that work on Public Services Network reaccreditation would be progressed early in 2015, reference was made to some additional work to be progressed by the Council to ensure the Register of Members' interests was kept up to date and to reinforce register of interest requirements for employees. Others issues commented on included the impact of welfare reform; housing benefit performance on which a report on a local follow-up risk assessment would be completed shortly; and the extent to which the Council's public performance reporting approach met criteria which reflected that 81% of information fully met the criteria and 19% partially met them.

During discussion and in response to issues raised by Members, clarification was provided on work undertaken to mitigate the impact of welfare reform. Clarification was also provided on the balance of the housing revenue account at the end of 2013/14, reasons for the associated deficit, the current position and how the budget would be monitored and discussed as required. New arrangements to be put in place for the new accounting requirements for highway assets were commented on.

Regarding work to be progressed to strengthen the arrangements for encouraging staff to submit declarations of interest, Ms Maconachie explained that the arrangements in place within the Council already exceeded those in some other local authorities. The Corporate Business Manager referred to various ways information on declarations of interest had been distributed to staff during the past year and commented on ways this could be enhanced further such as through team meetings. It was clarified that separate arrangements were in place for registering offers of hospitality and gifts.

Regarding the new Eastwood Health and Care Centre, the Head of Accountancy confirmed that the main contract prices were within the affordability cap for the project.

The committee noted the:-

- (a) content of the Annual Accounts for 2013/14 and related comments made; and
- (b) Annual Audit Report to the Council and Controller of Audit for 2013/14 and related comments made.

MAJOR CAPITAL INVESTMENT IN COUNCILS - UPDATE

1287. Under reference to the Minute of the meeting of 21 August 2014 (Page 1123, Item 1171 refers), when it was agreed that the Head of Accountancy would submit an update to the committee prior to the end of 2014 on the action plan prepared relating to the national report *Major Capital Investment in Councils* published in 2013, the committee considered a report by the Chief Executive on the action plan and related progress made.

The report highlighted that a lot of good practice on capital investment was already evidenced locally, but that four areas had been recommended for further action covering the circulation of good practice guidance; adoption of the action plan that was the subject of the report; the conduct of further post implementation reviews (PIR) of projects; and the organisation of Member training on capital planning and treasury management.

The Head of Accountancy summarised the action taken in respect of these during which she clarified that copies of the training slides used during the training referred to had been issued to those elected Members who had been unable to attend.

In response to questions, she concurred with Councillor Grant that PIRs on any capital projects were useful and clarified that all those who needed to be aware of the requirement to complete these had been advised of this.

The committee noted the report.

REVISED RISK MANAGEMENT STRATEGY

1288. The committee considered a report by the Chief Executive regarding the updating of the Council's Risk Management Strategy under its corporate governance arrangements which required the Council to have effective systems in place to manage risks. A copy of the proposed, revised strategy was attached to the report.

The report referred to risks faced by the authority in terms of threats to service provision and potential lost opportunities, emphasising the importance of demonstrating that risk implications have been fully considered as services are delivered. Having commented on commendations received by the Council on its risk management arrangements and referred to the strategic and operational risk registers in place and related reporting arrangements, the report explained that the strategy had last been updated in 2008. Risk processes were reported to have remained consistent since then, but the updated strategy reflected current terminology and was to be reviewed every three years in future. Changes to the Risk Management Strategy included the addition of sections on risk appetite; roles and responsibilities of risk management and risk and option appraisal.

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At this stage Councillor Wallace left the meeting and in accordance with Standing Orders Councillor Grant assumed the chair.

In response to questions, the Corporate Business Manager clarified that risk appetite described the Council's attitude towards the amount of risk it was prepared to accept on various issues including its reputation. Amongst other things, she also commented on the Corporate Risk Management Group and the strengthening of the role of departmental risk representatives to help ensure risk management processes were applied more consistently across the Council. Further clarification was provided on a range of other issues, including

managing opportunities in terms of innovation, the use of control measures to mitigate risk in respect of which examples were cited, and the value of developing and sharing risk registers in respect of shared services.

The committee agreed **to recommend to the Cabinet** that the revised risk management strategy be approved.

SOCIAL CARE TRANSPORT

1289. Under reference to the Minute of the meeting of the Audit Committee of 28 February 2013 (Page 423, Item 445 refers), when it was agreed that following a review of day services which it had been anticipated would be completed in 12-18 months, the Director of the CHCP would submit a further report on the possibility of savings in social care transport, the committee considered a report on this issue.

The report itemised services for which transport was arranged and explained that since 2013 the CHCP had been preparing for the implementation of the Self-Directed Support (SDS) Act. That legislation promoted greater control and choice for people over their support requiring services to be flexible, including related transport. Having summarised progress on redesigning services and commented on related social care transport issues, the report clarified that when the redesign had been worked through in detail revenue and capital savings could be identified separately. It was concluded that the CHCP had offered various savings associated with day services with which there were implications for the provision of social care transport and that the final decision on these would be made in February 2015 when the Council's budget for the forthcoming three financial years was to be agreed.

During discussion and in response to questions, the Head of Strategic Services and Commissioning and Development Coordinator referred to the far-reaching impact of the SDS Act and clarified that future transport developments would focus less on what group transportation needs were in favour of those of individuals. Reference was made to an example of where a large group bus had been replaced by a smaller minibus to transport clients; the need to ensure that the best use was made of resources which did not exclude the use of taxis when appropriate; and how individuals could discuss with nominated officers services they could access and related transport issues. It was confirmed that savings could be delivered through the budget proposals put forward and that work on a range of work streams involving transport considerations was on-going.

The committee agreed to note the report and the potential budget savings associated with proposals put forward.

INTERNAL AUDIT PLAN PROGRESS REPORT

1290. The committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2014/15 internal audit plan from 1 July to 30 September 2014. The report confirmed the number of reports issued during the quarter and that satisfactory management responses had been received in all cases. Approval was also sought to defer the Heritage Lottery Fund audit as related expenditure had been minimal in the current year.

During discussion and in response to questions, the Chief Auditor commented on various audits and related findings. She clarified that compliance with the maximising attendance policy had been a feature of various audits, commenting that some issues had been identified that needed to be addressed and citing examples of the findings and recommendations made. Whilst commenting on the findings of the travel and subsistence

audit which in part suggested a need to clarify some aspects of the current guidance, Councillor Robertson commented that some organisations made provision for lower rates of subsistence to be claimed by those who opted to stay with family or friends when on business. It was proposed that clarification be requested on whether the Council's scheme provided for this. The Chief Auditor also confirmed that work was about to start on the highways maintenance audit.

The committee agreed:-

- (a) to approve the deferral of the Heritage Lottery Fund audit;
- (b) that further clarification be sought on whether or not the travel and subsistence scheme made provision for those who opted to stay with family or friends on business to claim a lower level of subsistence than normal; and
- (c) otherwise, to note the internal audit progress report.

MEETING WITH REPRESENTATIVES OF GLASGOW CITY COUNCIL'S OPERATIONAL DELIVERY SCRUTINY COMMITTEE

1291. Under reference to the Minute of the meeting of 21 August 2014 (Page 1119, Item 1168(ii) refers), when it was agreed that a visit to meet representatives of Glasgow City Council's Operational Delivery Scrutiny Committee be pursued, the Clerk confirmed that the visit had taken place on 6 November 2014. It was clarified that Members had met with the Vice-Chair of that Scrutiny Committee, a senior officer and a policy adviser and exchanged views on the role of audit and scrutiny committees and related bodies both in Glasgow and East Renfrewshire. A meeting of the Operational Delivery Scrutiny Committee had been observed.

During discussion, Members commented on the extent of the similarities and differences between the arrangements in the two authorities, related issues and that the visit had been interesting.

The committee noted that a briefing note on the visit being prepared by the Clerk mainly for the benefit of those who had been unable to participate would be circulated on completion.

CHAIR