

MINUTE
of
AUDIT AND SCRUTINY COMMITTEE

Minute of Meeting held at 2.30pm in the Council Chamber, Council Headquarters, Giffnock, on 21 August 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:

Michelle Blair, Chief Auditor; Linda Hutchison, Clerk to the Committee; and Jennifer Graham, Committee Services Officer.

DECLARATIONS OF INTEREST

1167. There were no declarations of interest intimated.

CHAIR’S REPORT

1168. The following matters were discussed during the Chair’s report:-

(i) Borrowing and Treasury Management Meeting

Councillor Wallace reported that earlier that day, members of the committee had met representatives of Audit Scotland to discuss borrowing and treasury management issues. The meeting had been requested by Audit Scotland which was carrying out audit work on these issues across Scottish councils and wished, as part of its work in this area, to meet members of the committee as a focus group. Councillor Wallace clarified that informative discussions had taken place on various issues including governance, the role of councillors, and training and support. He added that reflecting the position in other authorities, it had been suggested that Members may benefit from becoming more skilled in scrutinising such issues and that Audit Scotland might issue related guidelines in due course.

(ii) Visit to Glasgow City Council

Under reference to the Minute of the meeting of 10 April 2014 (Page 973, Item 1014(i) refers), when liaison on scrutiny issues with other areas had

been discussed, Councillor Wallace commented that the committee was accustomed to being presented as an example of good practice but that an important aspect of visits was to stimulate thought on how local operations might be improved. Referring to the proposed visit to Glasgow City Council to meet representatives of its Operational Delivery Scrutiny Committee, he emphasised that he was keen for the visit to proceed relatively soon on one of two dates offered, although he was unable to schedule either himself. He proposed that it proceed on 6 November 2014, the most suitable date for the Vice Chair.

(iii) Housing Debt Management Issue

Under reference to the Minute of the meeting of 12 June 2014 (Page 1060, Item 1110 refers), when the committee had agreed that the Chief Auditor request additional information on the management response received to an internal audit recommendation on downsizing payments, Councillor Wallace referred to the further clarification sought and subsequently provided by the Chief Auditor on why the recommendation made on withholding such payments when other monies are owed to the Council by a tenant had not been accepted which had not been considered acceptable to the relevant Convener.

Councillor Wallace clarified that several Members of the committee had expressed concern regarding the position taken and consequently proposed writing to the Chief Executive explaining the concerns and asking her to look into this and consider if a report should be submitted to the Cabinet on this issue.

(iv) Access to Externally Prepared Inspection Reports

Under reference to the Minute of the meeting of 11 April 2013 (Page 460, Item 491(ii) refers), when it had been agreed to ask the Corporate Management Team and Heads of Service to advise the Clerk whenever external inspection reports on the Council were published and where a copy could be viewed to allow her to confirm this to members of the committee, Councillor Wallace reported that since then the Clerk had not been notified of the publication of any such reports, although it was understood some had been published. He proposed that the Clerk write again seeking feedback on this including on an ongoing basis.

(v) Use of Consultants

Under reference to the Minute of the meeting of 10 April 2014 (Page 974, Item 1014 (ii) refers), when it had been agreed that feedback be sought from departments on consultant costs incurred during the 2013/14 and 2014/15 financial years and that Councillor Wallace in consultation with members of the committee finalise the definition of consultant to be used, Councillor Wallace proposed requesting a simple list of information on any paid consultancy or advice commissioned directly by the Council from an external individual, company or organisation for a fixed period of time to assist the Council progress an issue, including in respect of the provision of legal services. He proposed further that, when the feedback was received, it be reviewed and a view be taken on whether or not the committee wanted to

follow up any specific aspects of the feedback. He suggested 4 headings under which the information could be sought, including the total cost. Other Members of the committee supported the suggested approach.

(vi) Community Grants Investigation

Under reference to the Minute of the meeting of 12 June 2014 (Page 1053, Item 1102(i) refers), when the committee had agreed to progress a review of grant issues, noting that the Clerk would seek further views from members of the committee on the proposed focus of the work, Councillor Wallace referred to the importance of Members expressing their views on this. He asked those members of the committee who had not already done so to advise the Clerk of their views urgently and by 25 August at the latest to allow a report to be prepared for consideration at the next meeting.

The committee agreed:-

- (a) that a visit on 6 November to meet representatives of Glasgow City Council's Operational Delivery Scrutiny Committee be pursued;
- (b) to write to the Chief Executive as proposed on the committee's concerns on the non-implementation of the internal audit recommendation on downsizing payments;
- (c) that the CMT and Heads of Service be contacted again requesting feedback on when external inspection reports on the Council had been published since April 2013 and also on an ongoing basis;
- (d) to seek feedback from departments on consultant costs as proposed and, on receipt, to take a view on whether or not the committee wanted to follow anything up further in terms of specific aspects of the feedback received;
- (e) that further feedback on the proposed focus of the review of grant issues be provided to the Clerk by 25 August to allow a report on the proposed scope of the review to be prepared for consideration at the next meeting; and
- (f) otherwise, that the report be noted.

EXTERNAL AUDIT REPORT – SELF-DIRECTED SUPPORT

1169. The committee considered a report by the Clerk on the publication by the Auditor General and the Accounts Commission of a report on *Self-Directed Support* which, under the committee's specialisation arrangements for dealing with internal and external audit reports, had been sent to Councillors Grant and Reilly for review. The Director of the CHCP had been asked to provide comments and a copy of her feedback was attached to the report.

The national report had examined councils' progress on implementing Self-Directed Support (SDS) which was a major change to the way people with social care needs were supported. Work reported on included a review of councils' plans for implementing SDS, detailed case studies of the position in several local authority areas, and management of social care budgets. A number of key messages and recommendations were contained within the report including on the need for councils to ensure they had a clear plan and effective arrangements for managing risks to successful implementation of SDS, and on keeping

Members and senior managers informed of progress. A related checklist for council officers had been provided to help review progress in implementing SDS. This had been completed by East Renfrewshire CHCP to provide an assessment of the position locally, a copy of which was attached to the report.

Referring to the self-assessment checklist completed on the local position, Councillor Grant highlighted that the feedback on some issues reflected that arrangements were in place, but needed improving. Supported by Councillor Reilly, she proposed that a further update on progress on these issues be submitted to the committee in 6 months time.

Councillor McCaskill referred to a key message within the national report on councils having adopted different methods of allocating money in respect of social care budgets and the need to manage risks carefully without unnecessarily limiting people's choice. On a related matter he referred to the feedback provided on the local position on monitoring spend against financial plans and readiness to take action to avoid a potential overspend in respect of which the self-assessment reflected arrangements were in place but needed to improve. He highlighted the need for the further feedback requested in 6 months time to comment on how this was being addressed.

The committee agreed:-

- (a) that the Director of CHCP submit an update to the committee in 6 months time on the issues referred to within the self-assessment checklist on which improvement was required, including on the issue of monitoring expenditure against financial plans and readiness to take action to avoid potential overspend; and
- (b) otherwise, to note the report.

EXTERNAL AUDIT REPORT – EAST RENFREWSHIRE COUNCIL KEY CONTROLS REPORT 2013/14

1170. The committee considered a report by the Clerk on the publication by the External Auditor of a local external audit report on *Key Controls* which, under the committee's specialisation arrangements for dealing with internal and external audit reports, had been sent to Councillors Wallace and Grant for review.

The report clarified that key controls operating within eight financial systems of the Council had been subject to testing to ensure they were operating satisfactorily, citing examples of assurances sought. Overall the systems of internal control were reported to be operating effectively, but a small number of control weaknesses had been identified on which further detail had been provided. These were associated with accounts receivable; accounts payable; council tax and housing rents. The External Auditor had noted the related impact on the planned financial statements audit.

Reference was also made to eleven areas of work where formal reliance was to be placed by External Audit on the work of Internal Audit. The detailed review of the 2013/14 Internal Audit Plan was substantially complete and had found Internal Audit work to be of a high quality, enabling reliance to be placed on its work. Reference was also made to the Council's participation in the National Fraud Initiative in Scotland.

The committee, having concurred that the work of the Chief Auditor and her team was of a high quality, noted the report.

EXTERNAL AUDIT REPORT – MAJOR CAPITAL INVESTMENT IN COUNCILS – TARGETED FOLLOW-UP REPORT

1171. Under reference to the Minute of the meeting of 27 June 2013 (Page 606, Item 643 refers), when comments provided by the Head of Accountancy on the local position relative to the publication by the Accounts Commission of a national report on *Major Capital Investment in Councils* had been noted and it had been agreed to advise the Director of Finance and HR that further training on capital and treasury management issues for elected Members would be considered useful, the committee considered a report by the Clerk on the publication of a local external audit report on *Major Capital Investment in Councils – A Targeted Follow-Up Report* which, under the committee's specialisation arrangements for dealing with internal and external audit reports, had been sent to Councillors Wallace and O'Kane for review.

It was highlighted that the follow-up work, being carried out in all 32 Scottish councils, had focused on how the Council had considered and responded to the findings and recommendations in the 2013 report. Reference was made to good practice identified locally, but also to some areas for improvement including the need to circulate a good practice guide and checklist to project managers and provide the further training on capital and treasury management issues suggested in 2013. An improvement action plan had been drawn up in respect of the local report itemising four recommended actions. It included reference to the need for a formal action plan addressing the recommendations in the national report to be prepared, on which a related update should be submitted to the committee, and clarified that the suggested training would be arranged.

During a brief discussion, Councillor McCaskill requested that clarification be sought regarding the definition of a major capital project as referred to in the report.

The Committee agreed:-

- (a) that clarification on the definition of a major capital project be sought and circulated;
- (b) that, prior to the end of 2014, the Head of Accountancy submit an update to the committee on the action plan to be prepared relating to the national report *Major Capital Investment in Councils* published in 2013; and
- (c) otherwise, to note the report.

INTERNAL AUDIT CHARTER

1172. The committee considered a report by the Chief Auditor seeking approval of the Internal Audit Charter as required under Standard 1000 of the new Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and which replaced the internal audit terms of reference previously approved by the committee.

It was clarified that the Charter was a formal document which defined the Council's internal audit activities in the context of purpose, authority and responsibility, covered a range of issues, and defined the scope of activities undertaken by the section. It was also clarified that the current terms of reference contained principles and practices which remained appropriate and relevant, but that the standards required the Charter to include some additional items including definitions of the term "board" and "senior management" in the context of internal audit activity and to define internal audit's role in fraud related work.

Whilst commenting on the report, the Chief Auditor highlighted various sections within it, in particular that a major change was the requirement for internal audit to complete an annual self-assessment of compliance with the PSIAS.

Councillor McCaskill, supported by other Members, proposed that the wording of the second paragraph of Section 6.2 be changed to reflect that directors will be required to attend the Audit and Scrutiny Committee rather than asked to attend, should they not respond to an internal audit report, to explain the reasons for not responding.

Commenting on instances where fraud involving an employee was alleged and under investigation, Councillor McCaskill referred to the possibility of an employee resigning from the Council with their reputation intact whilst an issue was under investigation and potentially taking up employment elsewhere and not sharing information on the allegation with their new employer. Adding that it remained a potential possibility that such an individual could act fraudulently under their new employer, he asked what senior managers could do to help reduce the risk of this happening. The Chief Auditor clarified that this was not an issue to include in the Charter, but that it might be possible to consider this further in terms of the wording of the Council's Anti-Fraud and Corruption Policy. Councillor Wallace proposed that, in the first instance, Audit Scotland be asked for their views on anything further local authorities might be able to do in these circumstances.

The committee agreed:-

- (a) that the Clerk contact Audit Scotland to seek views on anything further local authorities might be able to do to address the specific issue raised of any employee, facing an allegation of fraud which is under investigation, resigning from the council and potentially taking up employment elsewhere and acting fraudulently;
- (b) that the wording of Paragraph 6.2 of the Charter be amended as proposed; and
- (c) otherwise, to approve the Internal Audit Charter.

PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) – INTERNAL SELF-ASSESSMENT 2013/14

1173. Under reference to Item 1172, the committee considered a report by the Chief Auditor reiterating that the new PSIAS came into force in April 2013, summarising the implications for internal audit, and presenting internal audit's self assessment of compliance with these standards in 2013/14.

The report referred to the requirement under the Standards for the Head of Internal Audit to develop and maintain a quality assurance and improvement programme and related issues, explaining that CIPFA had recommended that a PSIAS related checklist be used for the annual self assessment and adding that an external assessment would be undertaken at least once every 5 years. Having highlighted that areas of non-compliance should be reported to the committee, the report summarised the self assessment findings for 2013/14 also making reference to the completed assessment which was attached to the report which reflected that internal audit was fully compliant with 255 (84%) of the standards and partially compliant with a further 27 (9%). Reference was also made to the main area of non-conformance, areas that were non-applicable, and the main area of partial conformance.

Whilst presenting the report, the Chief Auditor clarified that the way in which the external assessment would be carried out, possibly through a peer review, remained under consideration by Chief Auditors based in all Scottish local authorities. She clarified that the approval by the committee of the Internal Audit Charter would address the main area of non-conformance. In response to questions on specific standards, she clarified the position on various issues, including how matters arising from audits were brought to the committee's attention.

The committee, following discussion, agreed to note the outcome of the self assessment for 2013/14.

INTERNAL AUDIT PLAN PROGRESS REPORT

1174. The committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2014/15 internal audit plan from 1 April to 30 June 2014. 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 audits and related findings, including an issue of non-adherence to the maximising attendance policy identified through a CHCP related audit. She clarified that a more general audit on maximising attendance was also to be completed, following which Councillor Wallace proposed that the internal audit report prepared on this be submitted to a future meeting of the committee. Members of the committee supported considering that report at the same meeting that the annual report on absence related issues for 2013/14 was to be considered later in the year. Councillor Wallace also emphasised the wish to see within the annual report comparative information on absence levels within other local authorities, proposing that this view be relayed to the officer preparing the report.

The committee agreed:-

- (a) that the Chief Auditor submit the internal audit report on maximising attendance to a future meeting of the committee at the same time as the annual report on absence related issues for 2013/14 is submitted;
- (b) that the Human Resources Manager be advised that the committee wished to see within the annual report on absence related issues comparative information on absence levels within other local authorities; and
- (c) otherwise, to note the internal audit progress report.

CHAIR

