

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of virtual meeting held at 2.00pm on 23 September 2021.

Present:

Councillor Stewart Miller (Chair)	Councillor Charlie Gilbert
Councillor Barbara Grant (Vice Chair)	Councillor Annette Ireland
Councillor Angela Convery	Councillor Jim McLean

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Sharon Dick, Head of HR and Corporate Services; Alison Ballingall, Senior Revenues Manager; Gill Darbyshire, Chief Executive's Business Manager; Anthony Jenkins, Resilience Coordinator; Kath McCormack, HR Manager; Fiona Muir, Senior Auditor; Linda Hutchison, Clerk to the Committee; Jennifer Graham, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

John Cornett, Louisa Yule and Emma-Rose Drummond, Audit Scotland.

Apology:

Councillor Jim Swift.

DECLARATIONS OF INTEREST

1758. There were no declarations of interest intimated.

CHAIR'S REPORT

1759. The Chair advised, and the committee noted, that the Council had recently agreed that the meeting of the Audit & Scrutiny Committee scheduled to take place on Thursday 18 November would now be held on Thursday 25 November to allow the Annual Accounts and all other items to be considered that month to be discussed at a single meeting.

WITHDRAWAL FROM THE EUROPEAN UNION – UPDATE

1760. Under reference to the Minute of the meeting of 18 March 2021 (Page 1482, Item 1593 refers), when it had been agreed that a further update on the UK's exit from the European

Union (EU) should be provided to a future meeting, the committee considered a joint report by the Directors of Corporate & Community Services and Environment, providing a further update on the UK's exit from the EU and work within the Council in response.

The report confirmed that the UK had ceased to be a member of the EU on 31 January 2020, entering a transition period then until 31 December 2020. Both sides had announced that a Trade and Cooperation Agreement had been reached on 24 December 2020, following the ratification of which the UK and EU had entered a new relationship from 1 January 2021. Agreements between the EU and UK had provisions that governed their future relationship, trade and citizen's rights, with the potential remaining for supplementary agreements, and the Trade and Cooperation Agreement would be reviewed every five years.

It was explained that increasing numbers of goods and services were proving challenging to procure, and/or had increased in price substantially, but that it was impossible to be clear on how much of this was attributable to the UK's exit from the EU, a consequence of the pandemic, or other factors. Regarding EU nationals seeking to protect their rights to live/work in the UK, it was confirmed that from the end of June 2021, new people seeking to live/work in the UK were required to meet the points based immigration criteria.

Whilst the legal and regulatory landscape had yet to alter significantly, the UK and Scottish legislature could opt to alter this in future. Although the UK would not require to follow EU rules or be subject to the European Court of Justice, both sides had committed to keeping policies within parameters that avoided unfair trade competition. The current position on issues in relation to trade and the economy; data and information sharing; funding; laws and regulations; the EU Settlement Scheme; the work of the Brexit Working Group (BWG); and the Multi Agency Coordination Centre for EU Exit were summarised.

It was concluded that, while the ongoing COVID-19 pandemic undoubtedly remained the priority, EU Exit procedures and preparations were well established, having been implemented for previous Brexit deadlines; and that these would be key mechanisms in responding to impacts arising from the exit from the EU that may develop, as the new UK-EU relationship became established.

Whilst referring to key aspects of the report, the Resilience Coordinator highlighted that the Home Office quarterly statistics on the level of take up of the EU Settlement Scheme were due to be updated shortly for the period ending 30 June 2021, broken down by local authority, and that the Council would continue to promote information on the option to submit late applications. He clarified that the Home Office had discretion on how it dealt with such applications which remained to be tested. Having confirmed the position on data equivalency issues, he commented on price increases and scarcity of products that could impact in the coming months, but confirmed it was difficult to confirm the exact cause of these problems as they could be attributable to the UK's Exit from the EU, or other factors.

Councillor Ireland reported that she held concerns on various issues, seeking further clarification, either at the meeting or subsequently if necessary, on when it could be determined more precisely why an increasing number of goods and services were proving challenging to procure; what would happen when the various grace periods associated with changed border regimes expired; and how price increases were impacting on the Council's programme of works, including its winter maintenance programme. She also asked when further clarification would be available on the cost implications of price increases on food purchasing which seemed high, especially in relation to school meals; on how delays in vehicle purchasing would impact on individual services; and on how the Shared Prosperity Fund would be apportioned across Scotland and the extent to which it would be made available to East Renfrewshire in particular. Furthermore, she asked when it would be known what would happen to the 37% of EU nationals in East Renfrewshire who had been entitled, but not yet

applied, to the Settlement Scheme; and how the Money Advice and Rights Team (MART) and local Citizen's Advice Bureau had prepared for a potential increase in demand for their services.

The Resilience Coordinator explained that the level of funding secured locally from the Shared Prosperity Fund would remain unknown until the outcome of competitive bids made to it was known, reporting that authorities could apply alone or on a joint basis with others; that bids were expected to be determined on a case by case basis; and that further information on the Fund was expected in the UK Government's autumn statement. Regarding import controls, he referred to requirements in terms of checks, certification and taxation for products of animal origin, undertaking to seek and provide further detail on this issue and other matters raised following the meeting. Regarding the Capital Programme, the Head of Accountancy (Chief Financial Officer) confirmed that problems were not anticipated regarding contracts that had been completed or were already underway, but that the risk was higher where the Council was about to enter into contracts and was awaiting tender prices. She cited examples of two large projects in Neilston and Eastwood Park which would be subject to tender in future when the costs would be clearer and referred to how the costs of such projects were spread across a number of years through borrowing and repayment. Regarding winter maintenance, she confirmed that, in the event of there being an issue with grit, through Scotland Excel action would be taken to purchase this in bulk, either alone or on a group basis with other authorities to help mitigate the risk.

On the issue of food price increases, the Head of Accountancy (Chief Financial Officer) referred to ongoing work with Scotland Excel to renegotiate contracts and engage with new suppliers to secure the best possible deals, and confirmed that the Education Department was looking at such cost pressures at the moment to inform budget discussions, clarifying that budget plans could be adjusted right up until the 2022/23 budget was approved by the Council in February. Having referred to the high cost and specialist nature of many vehicles used by the authority, she acknowledged that there were issues with the cost and availability of parts, and referred to the long lead time required to order them for delivery when required, which required and enabled planning to be done and related costs issues to be dealt with.

The Head of HR and Corporate Services confirmed that the MART team had been able to deal with increased demand for support so far and this would be monitored closely including because an upsurge in demand was anticipated because the furlough scheme was coming to an end.

The committee, having heard Councillor Grant express the view that the EU was not particularly helpful on resolving issues, and discussed if a further update would be valuable in due course, agreed:-

- (a) that the Resilience Coordinator would seek and provide further information to the Clerk on the remaining queries raised at the meeting, including on the EU Settlement Scheme, for circulation to Members;
- (b) that a further update be provided to a future meeting in February or March 2022; and
- (c) otherwise, to note the report and related comments made.

MANAGING ABSENCE ANNUAL REPORT

1761. Under reference to the Minute of the meeting of 24 September 2020 (Page 1272, Item 1370 refers), when absence management during 2019/20 had been discussed, 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.

Whilst commenting on absence data for 2020/21, the report explained that there had been a decrease in both local government employee absence and teacher absence. The top reasons for absence were itemised and it was reported that absences due to COVID-19, including long COVID, were not included in the statutory absence figures but were being monitored by the Crisis Resilience Management Team (CRMT) and would be included in future reports. Having highlighted various issues on absence benchmarking, including a range of data within the Chartered Institute of Personnel and Development (CIPD) Annual Survey Report 2020 on Health and Well-being at Work for private, public and non-profit sectors, the report provided statistical information on absence trends since 2013/14 and made reference to related issues. The report commented that, although COVID-19 had led to additional sickness absence, measures such as social distancing, shielding and home working may have contributed to a reduction in other causes of absence.

Further information was provided on the focus being placed on absence improvement and related matters during which it was highlighted that mental health would continue to be an area of focus in the coming year. Reference was made to the ways in which the Council had continued to support the well-being of staff, including by providing information on check-in tools, encouraging employees to take short breaks from their work routine, and encouraging managers to check in with staff members on a regular basis.

Statistics were provided on dismissals on grounds of capability and the number of ill-health retirements. It was explained that there was potential for absence levels to continue to be of concern over the next few years associated with planned service reviews, but emphasised that improving absence levels through a more robust approach remained a priority for the Corporate Management Team and departments.

It was concluded that the Council's overall absence performance had improved since 2019/20, possibly attributable to a higher percentage of employees working from home. A strong focus continued to be placed on absence improvement, benchmarking and implementing related training and improvement actions. Reference was made to the focus to be placed on mental health, including encouraging managers to be proactive and supportive when an employee showed signs of a stress related illness; and to encourage employees to attend related training that could be helpful to them.

Having commented further on various key aspects of the report, in response to questions the HR Manager confirmed that the authority benchmarked with other local authorities on performance, but also benchmarked on best practice on a wider basis, citing the work being done within the authority on promoting financial well-being as an example of an initiative that had not been put in place in every local authority. She also confirmed that guidance was sought and available from organisations such as the CIPD on managing sickness absence issues for example.

In response to Councillor McLean who asked if there was any evidence of officers working from home when they were unwell whereas they may not have attended the office in these circumstances before, the HR Manager reported that this had not been measured, but acknowledged it may happen. She referred to some reduction in absence due to issues such as the common cold, reporting that it may be possible to extract data on this kind of issue for inclusion in the 2021/22 report.

The committee:-

- (a) noted the content of the report and trend in absence ratings; and
- (b) agreed to support the range of approaches being taken to reduce absence levels across the Council.

SUMMARY OF EARLY RETIREMENT/REDUNDANCY COSTS TO 31 MARCH 2021

1762. Under reference to the Minute of the meeting of 24 September 2020 (Page 1273, Item 1371 refers), when early retirements/redundancies to 31 March 2020 had been discussed, the committee considered a report by the Deputy Chief Executive summarising the position on early retirement/redundancy costs from 1 April 2020 to 31 March 2021 and related issues. Information on the total costs incurred and projected savings was provided.

Whilst commenting on the report, the HR Manager confirmed that the information provided remained to be audited. She clarified that redundancies continued to be assessed using a process based on a financial business case, referred to associated legal requirements, and explained that related costs depended on the individual circumstances of each employee involved, with each case considered on its own merits.

The committee noted the content of the report, the explanations provided for early retirements/redundancies within the period it covered, and related projected savings.

NATIONAL FRAUD INITIATIVE - UPDATE

1763. Under reference to the Minute of the meeting of 24 September 2020 (Page 1275, Item 1373 refers) when a report on the National Fraud Initiative (NFI) in Scotland had been noted, the committee considered a report by the Head of Communities, Revenues and Change providing an update on the NFI in Scotland and related work carried out in 2020/21.

Having referred to the data sharing and matching exercise undertaken throughout Scotland every two years, the purpose of the NFI counter-fraud exercise and keys to success, the report confirmed that the Council had a single point of contact for the NFI and a well-established network of departmental contacts who were responsible for comparing their own data sets, recovery, and follow up action. Reference was made to the number of matches reported in the 2020/21 exercise, and how related work was progressed. Business Rates and Business Grants related information had been included for the first time.

Further information was provided on various initiatives which the Council was involved with, including the Fraud and Error Investigation Service, and it was reported that the majority of NFI investigations from the 2020/21 exercise would be completed by February 2022.

In conclusion, the report referred to the robust and effective approach to NFI in place which was complemented by existing fraud prevention measures, funds recovered following investigations, and the challenges of completing the NFI due to a range of issues. These included workload pressures in teams caused by rising demands, new pandemic-related tasks, and the ongoing transition between legacy and new ICT systems. As reported to the Cabinet and Council recently, it was confirmed that teams throughout the Council were experiencing backlogs which would have ramifications for performance measures across 2021/22.

Having heard the Senior Revenues Manager highlight key aspects of the report, in response to Councillor Grant, she clarified issues relating to Council Tax and the single person discount, confirming that 31% of households in East Renfrewshire were entitled to a single person discount at present and that this number was expected to rise in future.

The committee noted the report and action taken in respect of the National Fraud Initiative in East Renfrewshire Council for 2020/21.

MANAGING THE RISK OF FRAUD AND CORRUPTION – FRAUD RESPONSE STATEMENT 2020/2021 (INCLUDING AUDIT SCOTLAND FRAUD AND IRREGULARITY REPORT 2020/21)

1764. Under reference to the Minute of the meeting of 24 September 2020 (Page 1275, Item 1374 refers) when a report on the Council's Fraud Response Statement 2019/20 had been noted, the committee considered a report by the Chief Executive detailing the Council's Fraud Response Statement 2020/21; overviewing measures in place across the Council to address anti-fraud, bribery and theft; referring to the management of the risk of fraud and corruption; and providing an update on action undertaken during 2020/21 where appropriate. Comments were also included on the Council's response to the Audit Scotland Fraud and Irregularity Report 2020/21.

The report referred to the authority's commitment to fighting fraud and bribery and explained that the Council followed the Chartered Institute of Public Finance & Accountancy (CIPFA) Code on "managing the risk of fraud and corruption", referring to its five key principles which included identifying fraud and corruption risks; and developing an appropriate counter fraud and corruption strategy. It was clarified that the Corporate Management Team had approved a revised Anti-Fraud, Bribery and Theft Strategy in August 2019, which aimed to promote an attitude of zero tolerance to fraud regardless of its value or scale, and that in line with the CIPFA Code a Fraud Statement was to be considered annually.

The Audit Scotland report on Fraud and Irregularity 2020/21 had shared risks and case studies to support fraud prevention and the key messages included, recognising the significant challenges due to COVID-19 and addressing weaknesses in controls which contributed to fraud and irregular activities. The Council's response to the key fraud risks highlighted within the Audit Scotland report, including in respect of Governance; IT and Cybercrime; Procurement; Health and Wellbeing; and Payment/Insurance/Payroll & HR, were referred to throughout the report.

The report also provided an overview of work undertaken during 2020/21, where appropriate, and referred to measures in place to address anti-fraud, bribery and theft. These included independent reviews of the adequacy, efficiency and effectiveness of internal controls by Internal Audit; putting in place a range of policies and procedures to support the strategy; providing updated guidance, policies and risk assessments across a range of cyber and information security topics; and the provision of comprehensive training and awareness raising sessions for staff. Other issues referred to included work the Procurement Team was doing with Scotland Excel and Police Scotland to minimise risks to the Council; raising awareness with both residents and employees about potential scams; and specific controls in place across all processes to ensure risk of loss through fraud was minimised.

In relation to reporting on potential fraud, reference was made to the committee's scrutiny role in relation to the application of the Anti-Fraud, Bribery and Theft Strategy, and related updates provided to it by Internal Audit on its investigation of one potential fraud incident during 2020/21. Having referred to the NFI and related reports

submitted to the committee, specific reference was made to steps taken to reduce the threat of widespread fraud in relation to the business grants that had been made available associated with the COVID-19 pandemic, and ongoing work the Economic Development Team was progressing, in liaison with Police Scotland, regarding possible fraudulent applications.

The committee, having heard the Business Manager highlight key aspects of the report, noted the:-

- (a) content of the report and the work being undertaken across the Council in relation to managing the risk of fraud and corruption; and
- (b) feedback provided in the context of the comments made in the Audit Scotland report, Fraud and Irregularities 2020/21.

STRATEGIC RISK REGISTER AND RISK MANAGEMENT PROGRESS – BIENNIAL REPORT

1765. Under reference to the Minute of the meeting of 18 March 2021 (Page 1481, Item 1592 refers), when the position on the Strategic Risk Register (SRR) and progress with risk management across the Council had been noted, the committee considered a report by the Chief Executive regarding the most recent biennial update of the register and general progress on risk management.

The SRR, a copy of which was appended to the report, itemised key risks that required to be considered and associated actions put in place to manage these. Having referred to related operational risk registers in place, the report confirmed that several strategic risks had been amended to include additional control measures and rescored for significance, clarifying that a thorough review of all the strategic risks had been undertaken by the Corporate Management Team (CMT). In total there were now 42 strategic risks, 18 of which had been evaluated as high and 24 as medium. Risks evaluated as low had been removed from the SRR and would be monitored within departmental or operational registers as appropriate. Relevant significant risks which could impact on achieving the Council's outcomes regarding the work of the IJB and the Culture and Leisure Trust had been considered.

In addition to referring to risks added to the SRR, information was provided on risks that had been removed; risk scores that remained high; risks that had been rescored from high to medium or medium to high; and those that retained the same score but where the risk descriptions had been amended to reflect the current position or provide further clarity. It was confirmed that although reports on the SRR were submitted to the committee every 6 months and the Cabinet annually, the register was considered to be a live document and updated continually, with the review of the SRR playing a fundamental role in ensuring that the Council met its objectives as detailed in Fairer East Ren, the Modern Ambitious Programme and the Outcome Delivery Plan. A risk owner for each strategic risk had been identified from amongst the CMT.

Having heard the Business Manager comment further on various aspects of the report, in response to a comment from Councillor Grant regarding the risk included in respect of external key care service providers (Risk 5.2), the Head of Accountancy (Chief Financial Officer) explained why this was included. For example, she referred to the role the Health and Social Care Partnership required to take, if an external care provider failed, such as to ensure appropriate alternative accommodation for residents was secured and related communication was dealt with, as had been required in the past. She acknowledged that there could be merit in revisiting the exact wording in the SRR on this issue in the interests of clarity.

The committee:-

- (a) noted that the comments made on Risk 5.2 on key care providers would be relayed back to appropriate officers with a view to a review of the wording being considered in the interests of clarity; and
- (b) otherwise, noted the development of the SRR; that it was considered to be a live document; and that it would be updated and amended by the CMT.

EAST RENFREWSHIRE COUNCIL MANAGEMENT REPORT 2020/21 - REVIEW OF THE COUNCIL'S INTERNAL CONTROLS IN FINANCIAL SYSTEMS FOR 2020/21

1766. The committee considered a Management Letter by the External Auditor on a review of the Council's internal controls in financial systems for 2020/21 which under the committee's specialisation arrangements fell within the remit of Councillors Miller and Grant for review.

The letter clarified that audit work had been completed later than planned due to additional work required around initial system reviews of both the new NPS benefit and council tax system and iTrent HR/Payroll system and testing of key controls. Testing had not identified any significant control weaknesses, although some less significant issues had been noted and discussed with management to ensure appropriate actions could be taken. These areas were summarised in Appendix 1 and related to superuser system access; housing benefit, payroll and other reconciliations; employee verification; and various council tax and benefits system processes and checks.

Having heard Ms Yule in respect of the report, the Head of Accountancy (Chief Financial Officer) referred to the management responses to issues identified as itemised in Appendix 1 to the report, and the related target dates for the completion of associated actions to be taken by specified officers to address these. Mr Cornett confirmed that progress on implementing the action points listed would be followed up during the 2021/22 audit.

The committee agreed to note the Management Letter and related comments made.

INTERNAL AUDIT ANNUAL REPORT 2020/21

1767. Under reference to the Minute of the meeting of 13 August 2020 (Page 1230, Item 1324 refers) when the Internal Audit Annual Report 2019/20 had been noted, the committee considered a report by the Chief Auditor regarding the annual report on the activities of internal audit during 2020/21, and providing an independent annual opinion on the adequacy and effectiveness of the Council's governance, risk management and internal controls based on work undertaken in 2020/21.

Whilst commenting on the report and implementation of the 2020/21 Plan, the Senior Auditor stressed that 2020/21 had been a very challenging year for Internal Audit, with the Plan having been substantially reduced twice during the year due to changing circumstances, such as due to COVID-19, staff absence and a secondment for example, which had resulted in a significant reduction in the number of audits carried out. Having confirmed that sufficient audits had been completed to enable an audit opinion to be given however, she reported that 14 reports had been issued relating to the 2020/21 Plan, satisfactory responses having been received for all of them. A further 2 audits had been completed but reports had not yet been issued. She quantified the initial and final number of audit days available to implement the Plan.

The Senior Auditor commented on four recommendations, across 2 reports, which had not been fully accepted by management, related reasons provided which had been accepted, and follow up work completed on various issues. Having summarised the position on various potential fraud and contingency matters and related issues, she also referred to and cited examples of issues that had impacted on Performance Indicators for the section, and clarified the extent to which the section operated almost fully in compliance with Public Sector Internal Auditor Standards, as reported to the committee in August, confirming that little scope existed therefore for further improvement.

Regarding the annual statement on the adequacy and effectiveness of the Council's governance, risk management and internal controls, the report confirmed that, based on the information available and work carried out, the Chief Auditor's opinion was that reasonable assurance could be placed upon the adequacy and effectiveness of these controls in the year to 31 March 2021, except in respect of one issue that remained under investigation by Police Scotland.

Councillor Ireland referred to the high risk recommendation made that management should ensure that processes were in place to enable them to demonstrate that all purchases of £50,000 and above had been certified by procurement in advance to comply with the Council's Contract Standing Orders, and to the Chief Procurement Officer's related response why this recommendation could not be accepted, as there was currently no online way to ensure advance certification from procurement in instances where the original order started out under £50,000 then subsequently exceeded this amount. In response to her, the Senior Auditor stated that she was not aware of any work being undertaken by departments to address this at the moment, but that she understood that the preparation of a report on this had been considered at one stage. She undertook to seek clarification from the Chief Auditor on this for circulation.

The Head of Accountancy (Chief Financial Officer) advised that the ability to monitor this further may be included in future updates on the Integra system. However, she assured Elected Members that orders of this scale required to be authorised by both a senior manager and procurement so some controls were in place.

The committee agreed:-

- (a) to approve the statement on the adequacy and effectiveness of the Council's governance, risk management and internal control systems and submit it to the Council;
- (b) to note that the Senior Auditor would seek confirmation from the Chief Auditor if any further work was planned to address the issue regarding orders which started out under £50,000 then subsequently exceeded this amount; and
- (c) otherwise, to note the internal audit annual report 2020/21 and associated comments.

CHAIR

