

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 9 May 2024.

Present:

Councillor Andrew Morrison (Chair)	Councillor David Macdonald *
Councillor Tony Buchanan (Vice Chair)	Provost Mary Montague *
Councillor Paul Edlin	Councillor Gordon Wallace
Councillor Annette Ireland *	

Councillor Morrison in the Chair

(*) indicates remote attendance

Attending:

Steven Quinn, Chief Executive; Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Michelle Blair, Chief Auditor; Linda Hutchison, Clerk to the Committee; Victoria Harkness, Democratic Services Officer; and Lesleyann Burns, Assistant Democratic Services Officer.

Also Attending:

Grace Scanlin, Ernst and Young *.

DECLARATIONS OF INTEREST

841. There were no declarations of interest intimated.

CHAIR'S REPORT – EXTERNAL AUDIT ISSUES

842. Councillor Morrison explained that Rob Jones of the External Audit Team had written to him, in his capacity as Chair, regarding Auditing Standards which required External Audit to formally update their understanding of the Committee's arrangements for oversight of management processes and arrangements annually. Having cited examples of the questions posed and referred to the value of this, he confirmed he was preparing a formal, written response.

Councillor Morrison also reported that, in his capacity as Chair of the Committee, he was due to have a further, routine meeting with Rob Jones in August on which he would report back in more detail in due course.

The Committee noted the position.

MAINTENANCE OF PRIVATE LAND – CLARIFICATION

843. Under reference to the Minute of the meeting of 22 February 2024 (Page 767, Item 752 refers), when it had been agreed that further feedback be sought from the Environment Department on the recommendation made on the maintenance of private land referred to in the Environment Department Follow-up Audit report, the Committee considered a report by the Clerk summarising the clarification received and circulated. Issues referred to had included former contracts which ceased in 2005; the number of small pieces of land identified with mixed ownership, details of some of which were held on the Sasine Register; related work on checking the Register underway by Legal Services on which a report would be submitted to a future Corporate Management Team (CMT) meeting; and the actual saving if maintenance work on private land ceased.

In response to Councillor Wallace and Councillor Ireland, the Clerk confirmed that the Sasine Register was being checked by Legal Services to determine the ownership of some pieces of land with a view to reporting on this to the CMT. The Chief Executive explained that there was currently no timetable for completing this work which was not always straightforward. He also commented on various other issues, including that a range of maintenance arrangements and responsibilities existed for land of various sizes in the area, and wider maintenance and reputational issues that would be created if the current number of maintenance operatives was reduced by one. Having referred to a land related query issue raised by a Community Council, Councillor Edlin expressed the view that private land should not be maintained by the Council.

Having heard Councillor Morrison comment on the marginal saving that would accrue if the maintenance of the private land ceased and acknowledge that unmaintained land could attract fly-tipping, Councillor Wallace highlighted the importance of all land in Council ownership being included in the Council's asset register, which had not been the case at one stage regarding a piece of land on which he had raised a query. He welcomed that a report was to be submitted to the CMT on the conclusion of the work by Legal Services. Councillor Buchanan referred to various issues that had arisen previously regarding land ownership and related responsibilities, commented on the value of determining where responsibility for land lay, but also highlighted that it could be onerous and problematic to do so.

The Committee noted the current position and that a further report on this issue would be considered by the Corporate Management Team in due course.

NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL BULLETIN 2022-23

844. The Committee considered a report by the Clerk on the publication in January 2024 of a report by Audit Scotland entitled *Local Government in Scotland – Financial Bulletin 2022-23* regarding which, under the Committee's specialisation arrangements, Councillor Buchanan was leading the review of this report. The Head of Accountancy (Chief Financial Officer) had been asked to provide comments and a copy of her feedback was appended to the report.

The Bulletin provided a high level summary of the main financial issues facing Scottish Councils in 2022/23 and beyond. Whilst East Renfrewshire was not specifically mentioned in the report, it was commented that the issues raised were almost all relevant to the Council and that it was clear that it would continue to face substantial and increasing financial challenges in future. A summary was provided regarding the Council's finances in 2022/23, including the position on grant funding, savings, capital expenditure and Council Tax. The Council's financial outlook was also commented on, including the position on reserves,

borrowing, loan costs and that problems balancing budgets were becoming increasingly acute. The position on various actions being taken in response to the report was summarised.

The Head of Accountancy (Chief Financial Officer) outlined key aspects of the report, during which she referred to the forthcoming publication of a further report by Audit Scotland on *Local Government Budgets 2024/25*.

Highlighting reference in the report to the reduction in local government's share of the Scottish budget from 30% to 23% between 2013/14 and 2022/23, whilst the total Scottish budget had increased by 37% in real terms, Councillor Morrison commented that this underlined the pressures facing the Council. In response to Councillor Wallace who sought clarification on the affordability of the loan charges and maintenance costs associated with the new Leisure Centre to be built in Eastwood Park, the Head of Accountancy (Chief Financial Officer) commented on various issues, including reports submitted to the Council on its long-term financial plans and the Committee on Treasury Management for example which helped demonstrate that the Council's capital investment plans and treasury management decisions remained affordable, prudent and sustainable, and that the Council was operating well within its limits.

In response to Councillor Ireland, the Head of Accountancy (Chief Financial Officer) clarified why the Council's loan charges were forecast to rise from around £9m in 2023/24 to £20m by 2029/30. In response to related issues raised by Councillor Morrison, she referred to predicted interest rates for future borrowing on which advice was received from the Council's treasury advisors, the intention to defer new long-term borrowing as long as possible pending interest rates becoming more favourable, and capital profiling issues and assumptions. In response to Councillor Wallace, Ms Scanlin confirmed that the Council's financial management arrangements and financial sustainability issues were matters on which External Audit work focussed annually.

The Committee agreed to note the report and related comments made.

INTERNAL AUDIT PLAN 2023/24 – IMPLEMENTATION PROGRESS – JANUARY TO MARCH 2024 (QUARTER 4)

845. Under reference to the Minute of the meeting of 22 February 2024 (Page 767, Item 752 refers), when the Internal Audit Strategic Plan for 2023/24 to 2027/28 had been approved, the Committee considered a report by the Chief Auditor regarding progress made on the implementation of the Plan from 1 January to 31 March 2024. It was confirmed that seven reports relating to planned 2023/24 audit work had been issued since the last progress report had been considered, and that a further seven were still to be issued. Details of reports which were issued as part of the 2023-24 Plan, on which responses had been received since the previous progress report had been submitted, were also provided. Reference was also made to the quarterly performance indicators (PIs) for the section.

The Chief Auditor referred to key aspects of the report during which she confirmed that, since the Agenda had been circulated, a further report had been issued, with the remaining ones to be issued shortly. Regarding the Payroll Audit Report which had been circulated previously to members of the Committee, she confirmed that 2 of the 3 recommendations that had not been accepted initially by management now had been, and that the HR Manager had confirmed that a permanent solution had been put in place in April 2024 to address the issue that had occurred with iTrent that had affected employees on multiple week patterns.

In response to Councillor Morrison, the Chief Executive indicated his intention to seek clarification from Legal Services regarding options, if any, for seeking recourse from the

software supplier regarding the issue identified. In response to Councillor Wallace who sought clarification on the quantification of under and over payments since the iTrent system had first been implemented, the Chief Auditor clarified that the HR Manager had confirmed recently that a way had been found to calculate this manually, which had not been considered possible before.

Councillor Ireland welcomed the acceptance of the two further Internal Audit recommendations and sought feedback on follow up audit work to be done, the monetary value of the errors, and the extent to which employees affected were aware of these. The Chief Auditor clarified that the audit sampling done had focussed on employees with multiple week work patterns where the highest proportion of problems were considered to exist, that follow up audit work would be done in due course, that the manual exercise being progressed by Payroll would identify the extent of over and underpayments, and that some affected employees would not yet be aware of the impact on them of the problem found with iTrent.

Referring to discussions he had held with Payroll, the Chief Executive emphasised that the majority of the system based errors were under and overpayments between approximately £25 and £40 prior to deductions including tax. Councillor Morrison considered this reassuring, but raised related concerns. Ms Scanlin confirmed that External Audit had been aware in 2023 of the issue raised by Internal Audit, had not replicated the findings possibly due to the threshold they had adopted for their sampling, and that she did not think any additional External Audit work would be required on the issues found over and above the work done by Internal Audit.

In response to Councillor Edlin, the Chief Auditor confirmed that the problem identified with iTrent had occurred since it was implemented, but did not impact on all employees but rather a small group of those on multiple work patterns. Supported by Councillor Morrison, Councillor Edlin indicated he wished to know the total number of people affected. The Chief Auditor confirmed that these figures would become available from HR from which she would receive them in due course, expressed confidence that overall the errors would not be material to the Council's year end Accounts, and commented that some errors could relate to employees who were no longer with the Council. In response to Councillor Morrison who asked if the iTrent system issue had impacted on anyone on furlough, the Head of Accountancy (Chief Financial Officer) clarified that furlough arrangements had only applied to East Renfrewshire Culture and Leisure Trust employees therefore only potentially impacting on those of them with multiple week patterns.

Whilst expressing his concerns regarding the system anomalies identified, Councillor Macdonald suggested that underpayments were easier to address than overpayments, referred to the scale of some of the overpayments listed in the Internal Audit report, and sought confirmation on the mechanisms to be put in place to recoup funds. He expressed the opinion that this could be a protracted and costly process in some cases and unviable in others, especially in the case of former employees. More specifically he proposed that an appropriate senior officer responsible for Payroll attend a future meeting of the Committee to address issues such as these. The Chief Auditor, supported by the Head of Accountancy (Chief Financial Officer), clarified that the Internal Audit report had referred to two different types of overpayments, many of the smaller ones being iTrent system related but others being generally attributable to management failures to advise Payroll timeously of issues they needed to be aware of.

The Head of Accountancy (Chief Financial Officer) referred to the Council's debt recovery policy and role of the debtors team in pursuing the recovery of overpayments. The Chief Executive stressed why Payroll could only provide further clarification on the issues concerning the iTrent system they were responsible for, not the management failures due to human error referred to in the audit report or debt recovery policy and procedures. In response

to Councillor Morrison, the Chief Executive and Head of Accountancy (Chief Financial Officer) confirmed that a copy of the Council's Debt Recovery Policy as approved by Cabinet could be circulated to members of the Committee.

Councillor Ireland referred to the overall scale of the overpayments identified, and sought clarification on when the draft policy on the Treatment of Over and Under Payments, dated March 2023, would be formally adopted. The Chief Auditor confirmed that the figures in the audit report related to the sample taken and that clarification on the draft policy, which had not been finalised at the time of the audit, would need to be sought from the HR Manager. Whilst providing reassurance on issues regarding overpayments, the Chief Executive emphasised the importance of learning from mistakes attributable to human error, and explained that he had asked for reports to be submitted to the CMT on an ongoing basis from each department not only on overpayments made but also the reasons for them. Responding to issues raised by Councillor Edlin, he clarified that the Council could take a different, more personalised approach to recovering salary overpayments from current employees with whom an ongoing working relationship existed, which differed to the approach possible regarding former employees. Speaking in more general terms, the Head of Accountancy (Chief Financial Officer) confirmed that the Debt Recovery Policy covered most debt issues, but that slightly different arrangements were in place for recovering benefit overpayments.

Councillor Wallace referred to potential challenges with recovering salary overpayments including in terms of tax, and the importance of ensuring that procedures for leavers were fully adhered to, stressing that his focus on the latter was the impact of any failures to follow them rather than apportioning blame. The Head of Accountancy (Chief Financial Officer) acknowledged that this issue had been raised in various audits, and highlighted action being taken throughout the Council to address and reinforce the importance of adherence to the procedures. The Chief Auditor commented that this recurring theme could be the subject of comments in the Internal Audit Annual Report for 2023/24.

In response to Councillor Macdonald, the Chief Executive explained that there could be issues associated with data protection that could prevent the Council approaching an employee's new employer about recovering overpayments, such as in cases where this was another local authority. The Head of Accountancy (Chief Financial Officer) added that approaches to other local authorities were made to the extent possible. In response to a further general issue raised by Councillor Macdonald regarding officer competency and related records, the Chief Executive stressed that if the Council wished to be considered an employer of choice, it was incumbent upon it to support employees to work to the best of their ability, such as through the provision of training and other support. He emphasised his assumption that the vast majority of employees came to work to do the best they could.

The Committee agreed:-

- (a) to note that follow-up audit work would be undertaken by the Chief Auditor in due course on the implementation of accepted recommendations within the Internal Audit report on Payroll, the outcome of which would be referred to in a future Internal Audit Progress report;
- (b) that the Clerk would source a copy of the Council's current *Debt Recovery Policy* and circulate it to members of the Committee;
- (c) that the Clerk would seek clarification from the Head of HR and Corporate Services on the current position regarding the draft Policy on the *Treatment of Over and Under Payments* and confirm the position to members of the Committee;

- (d) in the context of the Internal Audit Report on Payroll, that an appropriate senior officer responsible for Payroll would attend a future meeting of the Committee to provide further clarification on how the Payroll Section was addressing various issues that fall within its responsibility to control and address in relation to the payroll system; and
- (e) otherwise, to note the report and related comments made.

CHAIR