

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 15 August 2019.

Present:

Councillor Stewart Miller (Chair)	Councillor Annette Ireland
Councillor Barbara Grant (Vice Chair)	Councillor Jim McLean
Provost Jim Fletcher	Councillor Jim Swift
Councillor Charlie Gilbert	

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Michelle Blair, Chief Auditor; Barbara Clark, Chief Accountant; Linda Hutchison, Clerk to the Committee; Charles Leleux, Scrutiny and Evaluation Officer; and Jennifer Graham, Committee Services Officer.

DECLARATIONS OF INTEREST

970. There were no declarations of interest intimated.

CHAIR'S REPORT

971. The Chair reported, and it was noted, that there were no issues which he wished to bring to the committee's attention at this time.

ANNUAL TREASURY MANAGEMENT REPORT FOR 2018/19

972. Under reference to the Minute of the meeting of 21 February 2019 (Page 729, Item 792 refers), when it had been agreed to note the Treasury Management Strategy Report for 2019/20 and recommend to the Council that the Strategy for 2019/20 and the policy on the repayment of loans fund advances be approved, the committee considered a report by the Head of Accountancy (Chief Financial Officer) providing details of the Council's treasury management activities for the year ending 31 March 2019 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 authority continued to adopt a prudent approach to treasury management and that stability in borrowing assisted the Council to 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 the CIPFA Code of Practice on Treasury Management.

The committee, having heard the Chief Accountant highlight keys issues within the report, agreed to:-

- (a) note the Treasury Management Annual Report for 2018/19; and
- (b) **recommend to the Council** that the organisations specified in the report for investment of surplus funds be approved.

NATIONAL EXTERNAL AUDIT REPORT – HOW COUNCILS WORK – SAFEGUARDING PUBLIC MONEY: ARE YOU GETTING IT RIGHT?

973. The committee considered a report by the Clerk on the publication by Audit Scotland of a report entitled *How Councils Work – Safeguarding Public Money: Are You Getting it Right?* which under the committee's specialisation arrangements had been sent to Councillors Miller and Grant for review. The Head of Accountancy (Chief Financial Officer) had provided comments on it and a copy of her feedback was attached to the report.

The report referred to systems of internal control in place within the Council and related risks covered; adherence to accounting regulations through carrying out an annual review of internal controls; how risk issues were addressed and overseen corporately; and related reports considered regularly, such as by the Corporate Management Team (CMT) and Audit and Scrutiny Committee.

Whilst commenting on potential control weaknesses, the report referred to pressures facing councils; and the importance of having clear instructions and procedures in place supported by management checks, systems controls and segregation of duties. The implementation of the Council's new finance, HR and payroll system, associated challenges and benefits, and the importance of related monitoring were commented on, as were a few control issues raised in the External Auditor's *East Renfrewshire Council Management Report 2018/19* as discussed by the committee in June. Specific matters referred to included authorisation controls, system access issues, and inappropriate access to systems or assets.

Whilst commenting on addressing fraud and irregularities, including the recent review of the Council's Anti-Fraud, Theft and Bribery Strategy and Whistleblowing Policy in addition to which an Anti-Money Laundering Policy had been approved in 2018, the report summarised the position on cyber-security matters. It also made reference to the level of assurance placed by the Chief Auditor on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for the year ended 31 March 2019 and related matters. Other matters on which feedback was provided on officer and councillor roles included the role of the Audit and Scrutiny Committee and related training and support; partnership working; monitoring of the local Community Planning Partnership; training for Elected Members; the Council's Scheme of Delegated Functions; and the Internal Audit section's compliance with Public Sector Internal Audit Standards.

Overall it was concluded that the Council was well placed to address most of the issues raised, but that it would continue to face substantial challenges and required to keep controls under review, especially at a time of large scale change.

The Head of Accountancy highlighted keys issues within the report, clarifying that these fell into three main sections and providing related comments.

In response to questions and comments on overpayments to former employees which had also been discussed in June when the Council Management Report 2018/19 had been considered by the committee, the Head of Accountancy highlighted that this was a risk in all

local authorities. She referred to related action managers should take to contact payroll, providing examples of how overpayments could occur through error or a payroll cut-off date being missed, such as when someone left just before they were due to be paid or a temporary employee left. It was clarified that steps were taken to recover losses as soon as possible through the Debtors section, or later through legal action in a few cases if required.

In response to Councillor Grant who referred to the importance of taking action timeously, proactively and in advance to prevent overpayments, and of emphasising to employees that repayment is expected and pursued when it does happen, the Head of Accountancy explained that HR stressed the need for action to avoid such problems occurring, reiterating that issues were pursued if required. It was suggested that more detailed comments on how these issues were being addressed proactively would be useful and should be sought from the Head of HR and Corporate Services. The Chief Auditor explained that a log maintained by payroll indicated that most overpayments arose from late notification to payroll, adding that approximately 80% of overpayments made in 2018/19 were being recovered by mandate rather than there being a need to issue a debtor's account.

During discussion on the risk of inappropriate access to Council systems or assets which the committee had also discussed in June, the Head of Accountancy referred to the leavers checklist managers should complete whenever one of their team left, one aim of which was to ensure the return of entry cards and equipment. The Chief Auditor commented on evidence gathered through testing which suggested that many of the checklists were not completed adequately. It was explained that HR was striving to improve the use and completion of the checklists across the Council, following which it was proposed that more detailed information be sought from HR on how this was being pursued.

In response to questions on the new core systems being introduced, the Head of Accountancy clarified that the old and new HR/Payroll systems would operate in tandem for a few months to ensure a smooth transition between the two systems. Regarding the creditors/debtors ledger system, she explained that this could not be dealt with in the same way, clarifying that data required to be migrated to the new system by the end of August, but confirming that historic data would be retained for audit purposes. She emphasised that the new system would be tested during the changeover period and, subject to the data transferring satisfactorily, it was anticipated that the new system would be live from the start of September. She added that the system would be closely monitored during the transition period and that, if a potentially serious implementation problem arose, the authority could revert back to using the current system until the issue was resolved. The Head of Accountancy clarified the level of support available to support the introduction of the new system and referred to the use made of the type of system that was being put in place within the public sector and large organisations.

During further discussion, it was confirmed that there was good support and cooperation from other agencies and organisations in support of the National Fraud Initiative.

The committee, having heard the Head of Accountancy in further clarification, agreed:-

- (a) to seek further clarification from the Head of HR and Corporate Services on actions being taken both to minimise overpayments being made to employees, such as when they leave the authority, and also to reinforce the need to and importance of using the leavers checklist; and
- (b) otherwise, to note the report and comments made.

INTERNAL AUDIT PLAN 2019/20 - IMPLEMENTATION PROGRESS REPORT – APRIL TO JUNE 2019

974. The committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2019/20 Internal Audit Plan from 1 April to 30 June 2019. It was confirmed that during the quarter three audit reports relating to planned 2019/20 audit work had been issued, that the management response for one of the audit reports issued had yet to be received the due date for which had not yet passed, and that a management response to a 2018/19 report had now been received. Related details were provided. Reference was also made to the quarterly performance indicators (PIs) for the section and four new requests for assistance dealt with using contingency time.

Having commented on the staffing position within the section, the report proposed that a planned audit on the operation of the Culture and Leisure Trust be deleted from the Audit Plan, senior management having proposed instead that a Best Value type review be carried out by the Scrutiny and Evaluation Officer, the findings of which would be reported to the committee in due course.

Whilst commenting on the report, the Chief Auditor clarified that the provision of feedback on the City Deal audit related to the implementation of the 2018/19 Internal Audit Plan. In response to questions, she reported that she was not aware of any enhanced payments being paid to employees who were working on City Deal projects now. Further reference was made to the proposed way forward on the Culture and Leisure Trust and the proposed Best Value type review to be progressed by the Scrutiny and Evaluation Officer.

The committee, following discussion, agreed:-

- (a) not to seek any of the reports issued in the quarter at this stage;
- (b) to approve the deletion of the audit of the operation of the Culture and Leisure Trust from the 2019/20 Audit Plan on the basis proposed, in respect of which the Scrutiny and Evaluation Officer would progress a Best Value type review on the Trust, the findings of which would be reported to the committee in due course; and
- (c) otherwise, to note the report and related comments made.

POTENTIAL AREAS FOR SCRUTINY AND REVIEW INVESTIGATIONS

975. Under reference to the Minute of the meeting of 20 June 2019 (Page 868, Item 924 refers), when it had been agreed that a detailed review be progressed on income generation and commercialisation; and that work on the potential scope of other reviews suggested be undertaken between then and now, the committee considered a report by the Chief Executive providing an update on discussions on the other potential areas for scrutiny and review.

The report reminded the committee that it had been agreed to progress the work on the scope of other potential reviews using the selection and rejection criteria within the Council's new Guide to Scrutiny and Review, the intention being to have other areas for review agreed and prioritised by the committee, and the next detailed review ready to commence once the current review on income generation and commercialisation was approaching completion. Having clarified that this initial scoping work had been concluded, the report referred to a summary of the outcome of discussions on these areas between departments and the Scrutiny and Evaluation Officer, a copy of which was appended to the report. The summary

itemised and proposed how the committee could move forward on various issues. In relation to this, reference was made to a priority rating system developed recently as a further aid to Elected Members for those review areas meeting the selection criteria with a view to assisting them schedule and prioritise work.

It was concluded that the proposals provided the opportunity for the committee to schedule when they would wish to undertake scrutiny and review investigations, using suggested priority ratings, while keeping other areas under observation. It was also highlighted that it would be valuable to consider further potential areas for scrutiny and review periodically, and that updates on the reviews it was agreed to progress would be provided and reported through the annual work plan which would be refreshed at different stages throughout each year, the intention being to submit an update on the 2019/20 work plan to the next meeting.

The Scrutiny and Evaluation Officer provided further clarification on the selection criteria used during the scoping exercise and also on the issues in respect of which it was being proposed that various presentations or visits be arranged during the forthcoming months to allow Members to ask questions directly of service providers. Amongst other things, regarding a proposed presentation to the committee on the school admission policy and Education Appeals system, it was proposed that this be provided to the committee at its meeting on 21 November 2019.

The Scrutiny and Evaluation Officer encouraged members of the committee to propose further areas where a review was required immediately after the completion of the current detailed work being done on income generation and commercialisation. He clarified that he would seek feedback from them on this issue through further correspondence.

Having heard Members express general concerns about the current Education Appeals system, more specifically, concerns were expressed about the possible transfer of responsibility for these from local authorities to the Scottish Tribunals System from April 2021 on which the Scottish Government had prepared draft Regulations. Concerns were expressed about the potential for a third party to determine the outcome of these Appeals without giving sufficient and due regard to local circumstances and consequences. The importance of knowledge of and considering local issues was commented on further, such as the importance the local authority placed on managing the release of new housing taking account for example of school provision, and the importance of not granting placing requests when a range of new houses were due to be occupied shortly, such as at Maidenhill, in relation to which school places would be required for those moving into the local area. It was argued that reform of the Education Appeals system would be helpful, but not the removal of control of these from local authorities. Reference was made to the potential for the authority to respond to any consultation issued on the proposed way forward, in respect of which it was suggested that the Director of Education be advised of the concerns expressed at the meeting so these could be considered when formulating responses.

On a further school placing request related issue, Councillor Swift commented that the current criteria for approving such requests was now impacting on some local parents who were no longer necessarily able to secure places for all of their children at the one school following changes to catchment areas which it was argued disadvantaged some people. Having heard him refer to the current priority criteria, it was proposed that the Director of Education also be advised of the concern raised.

The committee, having considered the list of potential areas for a scrutiny and evaluation review as identified by the committee at their meeting on 20 June using the selection and rejection criteria agreed as part of the new Guide to Scrutiny and Review, and having discussed related issues, agreed:-

- (a) that the status of all the proposed areas for a scrutiny and evaluation review and the implementation of the related proposals over time, as documented in Appendix 1 to the report, be approved and implemented;
- (b) linked to the way forward agreed on both fly-tipping and graffiti removal, that visits be organised for members of the committee in the latter part of 2019/20 to allow them to gather information on the latest procedures and equipment being used by the Environment Department to tackle these issues;
- (c) linked to the way forward agreed on the Education Appeals system, that:-
 - (i) appropriate officers make a presentation to the committee, for information, on 21 November 2019 about the schools admission policy and Education Appeals system;
 - (ii) that the Director of Education be advised of the committee's concerns on the potential implications of the proposal under consideration by the Scottish Government to transfer administration of the appeals system from local authority control to the Scottish Tribunals System to allow her to consider the views expressed when formulating responses to any related consultation; and
 - (iii) that the Director of Education also be advised of the concerns expressed at the meeting on the current criteria for approving school placing requests, specifically the impact the current approach has on some East Renfrewshire resident families in terms of siblings not necessarily being able to access the same school when catchment areas are altered;
- (d) linked to the way forward agreed on the issue of the Council website/communications with the public, and prior to considering further when a review may be appropriate in due course, that in the interim a demonstration of the new website be organised in due course for Elected Members to provide an opportunity for questions to be asked about it and its capabilities;
- (e) regarding Brexit and the related financial implications, that in the first instance following the appointment of the Council's Brexit Coordinator, arrangements be made for the postholder to meet with the committee to allow Members to take evidence/gather information on Brexit issues;
- (f) that the Scrutiny and Evaluation Officer liaise further with members of the committee with a view to other potential priority 1 issues for immediate review being identified to allow the committee to determine in due course the next piece of detailed work to be undertaken; and
- (g) to note that it was intended to submit an update on the committee's work plan to the next meeting.

INVESTIGATION ON INCOME GENERATION AND COMMERCIALISATION – UPDATE ON PROGRESS

976. Under reference to the Minute of the meeting of 20 June 2019 (Page 868, Item 924 refers), when it had been agreed that a detailed review be progressed on income generation and commercialisation and to approve 5 related objectives, the committee considered a report by the Chief Executive providing an update on progress with the investigation.

Having itemised the related objectives set and reminded the committee that it was intended that a final report on the work with recommendations would be submitted to the committee in November, the report summarised progress thus far. Reference was made to a meeting between the Chair, Vice Chair and Scrutiny and Evaluation Officer and representatives from Audit Scotland to discuss commercialisation opportunities being considered by local authorities in England. Having commented on relevant information being gathered from other local authorities, to consider what had worked well and what had not, and also a range of national organisations including the Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Association of Public Services Excellence (APSE), the next steps for gathering information and taking evidence were outlined.

It was concluded that the review area had the potential to generate new income streams, which may assist the Council in several areas: financial planning now and for the future; demonstrating financial responsibility to the East Renfrewshire community; delivering Best Value; and sustaining or improving service levels for local citizens and customers. It was also considered to have the potential to develop stronger links with businesses and organisations; develop collaborative links with other councils; and to promote self-awareness of where the Council was positioned in terms of benchmarking information.

Whilst commenting further, the Scrutiny and Evaluation Officer reported on a number of forthcoming meetings arranged between officers throughout the authority and members of the committee to discuss issues relating to the review, the value of which was commented on, as was the need for an appropriate level of discussion. He requested that Members confirm to him their availability to attend the meetings arranged, following which it was clarified that it was not expected that every member of the committee would attend all of the meetings.

During discussion Councillor Swift expressed the view that it was not for local authorities to become involved in areas where they lacked sufficient expertise, citing the example of the experiences of some English local authorities who had become involved unsuccessfully in the purchase of shopping centres for example.

The committee, following discussion and having heard the Scrutiny and Evaluation Officer, noted:-

- (a) that further work on the investigation would be progressed; and
- (b) otherwise, the progress made thus far.

CHAIR

