

MINUTE
of
AUDIT AND SCRUTINY COMMITTEE

Minute of Meeting held at 2.30pm in the Council Chamber, Council Headquarters, Giffnock, on 25 September 2014.

Present:

Councillor Gordon Wallace (Chair)
Councillor Barbara Grant (Vice Chair)
Councillor Charlie Gilbert

Councillor Tommy Reilly
Councillor Ralph Robertson

Councillor Wallace in the Chair

Attending:

Margaret McCrossan, Head of Accountancy; Barbara Clark, Chief Accountant; Jackie Martin, Corporate Business Manager; Michelle Blair, Chief Auditor; Linda Hutchison, Clerk to the Committee; and Ron Leitch, Committee Services Officer.

Also attending:

Brian Howarth and Liz Maconachie, Audit Scotland.

Apologies:

Councillors Gordon McCaskill and Paul O’Kane.

DECLARATIONS OF INTEREST

1223. There were no declarations of interest intimated.

CHAIR’S REPORT

1224. The following matters were discussed during the Chair’s report:-

(i) Housing Debt Management Issue

Under reference to the Minute of the meeting of 21 August 2014 (Page 1120, Item 1168(iii) refers), when it had been agreed to write to the Chief Executive regarding the committee’s concerns on the non-implementation of an internal audit recommendation on withholding downsizing payments when other

monies are owed to the Council by a tenant, Councillor Wallace confirmed he had written to the Chief Executive detailing the concerns as agreed. He undertook to advise the committee of her response in due course.

(ii) Interest in Complaints

Under reference to the Minute of the meeting of 10 April 2014 (Page 975, Item 1015 refers), when it had been noted that, in due course, the Head of Customer and Business Change Services would provide further feedback on complaints to complement information already provided on this issue, Councillor Wallace reiterated that the committee had been advised previously that it would take time to work on the preparation of an intermediate level of information on complaints between high level information available and the very detailed information provided to departments. The Complaints Handlers Network would be amongst those discussing this issue.

Councillor Wallace reported that the Head of Customer and Business Change Services had recently provided an update on on-going work to develop and improve the functioning of the complaints handling procedure and related reporting across the Council which he would ask the Clerk to circulate. He clarified that the update referred to progress made since April on developing the complaints monitoring framework; services' use and analysis of complaints data; and the next phase of work to be progressed. This would include the capture of recurring complaints themes; the development of an e-course on complaints handling to further develop staff skills; and the Corporate Management Team (CMT) continuing to receive quarterly monitoring reports. He proposed that the committee seek a further update at the start of 2015.

The committee agreed:-

- (a) to note that Councillor Wallace would advise members of the committee in due course regarding the response he received from the Chief Executive on the downsizing payment issue on which the committee held concerns; and
- (b) that, against the background of the committee's ongoing interest in complaints, the Head of Customer and Business Change Services provide a further update on work to develop and improve the functioning of the complaints handling procedure and reporting across the Council at the start of 2015.

REVIEW OF STRATEGIC RISK REGISTER

1225. Under reference to the Minute of the meeting of 10 April 2014 (Page 975, Item 1015 refers), when an update on the Council's strategic risk register had been noted, the committee considered a report by the Chief Executive providing the most recent biannual update on the register. The register, a copy of which was attached to the report, itemised key risks that required to be considered and actions put in place to manage these. As well as additions having been made to the register, several risks had been amended to include additional control measures, and some risks had been rescored for significance. Risks identified by Audit Scotland in the Assurance and Improvement Plan had also been incorporated. The register continued to align with the Council's key outcomes as contained

in the Single Outcome Agreement (SOA) and the internal and external business environments, whilst also reflecting corporate risks associated with the Council's strategic change and reform agenda and those inherent in its day to day business.

The report also provided a more general update on various risk management matters, including issues discussed by the Corporate Risk Management Group; training available on risk issues; internal audit work on risk management and corporate governance; and the updating of operational risk registers.

Having commented on various aspects of the report, in response to questions, the Corporate Business Manager clarified the position and commented on various issues including why the risk currently remained high associated with the need to ensure sufficient school catchment places for East Renfrewshire children and young people in light of new residential developments; plans for new schools to meet local needs; and how approval of the Local Development Plan in due course could impact on the risk score. The Head of Accountancy commented on on-going, related, inter-departmental meetings at which various related issues were discussed, including assumptions made on when new houses would be constructed and on resources.

Regarding the risk associated with providing free school meals to all Primary 1 to Primary 3 pupils by January 2015, the Head of Accountancy referred to a lack of clarification provided by The Scottish Government on additional funding to be made available to enable the initiative and associated adaptations to be progressed. It was clarified that all local authorities were in the same position and that, pending clarification on funding and whilst not ideal, implementation work was being progressed as far as possible, such as by reconfiguring some dining rooms and considering supervision of children when using them.

In response to further questions, the Corporate Business Manager clarified that, if the committee wished, the HR Manager could provide a fuller update on issues linked to the new legislative rulings on the calculation of holiday pay, this issue having been the subject of an exempt report to Cabinet. The Head of Accountancy commented briefly on related financial implications as far as they were known thus far and those remaining to be determined.

Regarding the Court of Session ruling on the proposed site of the new Barrhead High School, the Head of Accountancy explained that the Director of Environment was preparing a report on options in parallel to an appeal being pursued. Whilst commenting on the difficulty of estimating any potential, additional project costs pending the outcome of the appeal, she commented that it was not anticipated that the design of the building would differ much from that currently proposed.

Further clarification was provided on various matters, including protection of the Council's information assets, the related need to remain vigilant against attempts to breach systems; and how the Council had recently joined a cyber security network. During further discussion and in response to questions, the Corporate Business Manager and Head of Accountancy commented on additional risk control measures proposed in respect of resource alignment to support additional duties linked to the Children and Young People (Scotland) Act regarding named persons with effect from 2016; and implementation of City Deal projects.

The committee agreed to note:-

- (a) the development of the Council's strategic risk register; and
- (b) more generally, progress made with risk management over the past 6 months.

EXTERNAL AUDIT REPORT – MATTERS ARISING FROM AUDIT OF EAST RENFREWSHIRE COUNCIL'S 2013/14 FINANCIAL STATEMENTS - INTERNATIONAL STANDARD ON AUDITING (ISA) 260

1226. Under reference to the Minute of the meeting of 10 April 2014 (Page 977, Item 1017 refers), when it had been noted that International Standard on Auditing (ISA) 260 related discussions would take place with the External Auditor at this meeting, the committee considered a report by the External Auditor on matters arising from the audit of the Council's financial statements for 2013/14 reported under ISA 260 requirements through which issues on the annual accounts were to be discussed prior to certification. Having commented on the status of the audit and its scope, the report confirmed that the anticipated Auditor's report, due to be issued on 25 September, was unqualified and that no material weaknesses in the Council's accounting and internal control systems had been identified that could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts. Three issues requiring to be brought to members' attention were itemised. These related to recognition by the Council of common good fund assets at Cowan Park, Barrhead and related issues; the lack of guidance within the Council's travel and subsistence policy on whether or not purchase of alcohol could be regarded as an allowable expense; and the lack of three lease agreements. The position on resolving these issues was summarised.

Mr Howarth commented that, as in previous years, the audit of the financial statements had gone well, adding that in future years the accounts and related ISA 260 report would be considered at the same time. Referring to recognition by the Council for the first time of common good fund assets and related comments in the report, he clarified that some such assets listed were not owned by the Council. He commented on a formal review of assets and titles the Council was planning to undertake in terms of the Community Empowerment and Renewal Bill when enacted.

Responding to comments from Members, Mr Howarth confirmed that assets were not necessarily confined to land and buildings, the age and at times vagueness of legislation on common goods, and how it was often necessary for the courts to rule on whether or not an asset was a common good.

Councillor Wallace, supported by Mr Howarth, thanked officers within the Council, particularly within the Accountancy Team, for their assistance and approach during the year which had contributed to the auditor's report being provided on time.

The committee agreed to note the report and the comments made.

EXTERNAL AUDIT REPORT – MATTERS ARISING FROM AUDIT OF REGISTERED CHARITIES

1227. The committee considered a report by the External Auditor on matters arising from the audit of the financial statements for 2013/14 of 7 registered charitable trusts where the sole trustees were officers of the Council acting in an ex-officio capacity and reported under ISA 260 requirements through which issues on the annual accounts were to be discussed prior to certification. Having explained that this was the first year such an audit had been required under revised guidance from the Office of the Scottish Charities Regulator (OSCR) and that it only related to transactions since 1 April 2013, the report confirmed that the anticipated Auditor's report, due to be issued on 25 September, was unqualified and that no material weaknesses in the accounting and internal control systems relating to these trusts

had been identified that could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.

A copy of the proposed Independent Auditor's report for each trust was attached to the report. One issue requiring to be brought to Members' attention was itemised on the non-availability of trust deeds for four of the funds which it was anticipated would not have any material impact on the financial statements. The Council had agreed to highlight the absence of these in the respective Trustees Annual Report and Notes to the Accounts.

Mr Howarth clarified that the audits had gone well, adding that only one very small misstatement regarding the Janet Hamilton Memorial Fund, which officers had agreed to adjust, had been identified. He added that the funds concerned were small and that scope might exist to combine some accounts thereby reducing the number of audits required. The Chief Accountant clarified the collective scale of the funds.

The committee, having heard Councillor Wallace express the view that the scale of work on the audits appeared disproportionate to the value of the trusts, agreed to note the report and the comments made.

NATIONAL EXTERNAL AUDIT REPORT – 2012/13 AND 2013/14 BENEFITS PERFORMANCE AUDIT ANNUAL UPDATES

1228. Under reference to the Minute of the meeting of 16 January 2014 (Page 854, Item 898 refers), when it had been agreed that the Head of Revenues would provide a further update in due course on elements of the 2012/13 Benefits Performance Audit action plan that remained to be completed, the committee considered a report by the Clerk on progress regarding this and the publication by Audit Scotland of a report prepared on behalf of the Accounts Commission on the 2013/14 Benefits Performance Audit Annual Update. Under the committee's specialisation arrangements for dealing with external audit reports, these had been sent to Councillors Wallace and O'Kane for review. The Head of Revenues had been asked to provide comments and a copy of his feedback was attached to the report.

Regarding the 2012/13 Benefits Performance Audit, the report explained that by January 2014 many associated actions, with the exception of six, had been completed. The update reflected that four of those six had now been fully progressed, summarising the position on the remaining two. The update on the 2013/14 Benefits Performance Audit explained that although the Council's Benefits Service had not been included in those services risk assessed by Audit Scotland that year, the findings, on which comments were provided, were, of local interest including in preparation for a performance audit in Autumn 2014. Key messages in the 2013/14 report were highlighted and it was clarified that some recommended best practices had been adopted locally.

Councillor Wallace commented that all but 4 Scottish councils provided customers with access to an online housing benefit calculator as East Renfrewshire did, but only eight had a fully automated online housing benefit claims process.

The committee, following a brief discussion, agreed to note the report and the comments made.

NATIONAL EXTERNAL AUDIT REPORT – NATIONAL FRAUD INITIATIVE

1229. The committee considered a report by the Clerk on the publication by Audit Scotland of a report on the National Fraud Initiative (NFI) in Scotland which, under the committee's specialisation arrangements for dealing with external audit reports, had been sent to Councillors Wallace and Grant for review. The Head of Revenues had been asked to provide comments and a copy of his feedback was attached to the report.

It was explained that the NFI in Scotland was well established, had operated over a decade and enabled public bodies to take advantage of computer data matching techniques to detect fraud and error. The outcomes from the NFI 2012/13 amounted to £16m across Scotland, with the Council's contribution being £74,000. Of 3,171 matches reported locally, following risk assessment 1,336 had been investigated. £74,000 of housing benefit had been overpaid resulting from 10 frauds and 7 errors. The position on recovery action, which might only be achieved over several years, was summarised. It was highlighted that the main benefit was a reduction in ongoing fraud and the deterrent effect gained from regular data matching. Most councils, including East Renfrewshire, had also participated in an exercise to detect overpaid council tax single person discounts through matches between council tax records and the electoral role. Resources were to be allocated to assess and investigate 1,079 matches over the coming few months.

The committee following discussion during which the Head of Accountancy commented on staffing matters linked to the NFI, agreed to note the report and the comments made.

NATIONAL EXTERNAL AUDIT REPORT – SCHOOL EDUCATION

1230. The committee considered a report by the Clerk on the publication by the Accounts Commission of a report on School Education which, under the committee's specialisation arrangements for dealing with external audit reports, had been sent to Councillors Gilbert and McCaskill for review. The Director of Education had been asked to provide comments and a copy of her feedback was attached to the report.

It was explained that the work had sought to assess how efficiently councils were using their resources to maximise pupil achievement in schools, placing particular attention on how much councils spend on school education; what they spend it on; how effectively improvements in pupil achievement are driven forward; and how efficiently councils use resources. In-depth interviews had been held with staff in four councils, including East Renfrewshire which was also one of three councils where focus groups with teachers and pupils had been held. The Director of Education had commented that none of the recommendations made were considered to present any major difficulty within East Renfrewshire. Information on the Council's position in relation to each of the recommendations was attached to the report and it was emphasised that the Education Department was not complacent and would continue to seek continuous improvement.

The committee agreed to note the report and the comments made.

COMMUNITY GRANTS INVESTIGATION

1231. Under reference to the Minute of the meeting of 12 June 2014 (Page 1054, Item 1122(i) refers), when the committee had agreed to progress a review of grant issues, noting that the views of members of the committee would be sought on the focus of the work, the committee considered a report by the Clerk on the proposed scope of the investigation.

Having outlined the background to the proposal, the report referred to grant related information already circulated and itemised the main issues members had proposed be reviewed. These included the impact of changes to the community grants scheme approved by the Cabinet in October 2013; adherence to current administrative arrangements and procedures for processing applications; looking at monitoring and evaluation processes; and the extent of any conflict or potential conflict, between alternative sources of funding.

The committee, having heard Councillor Wallace comment that the investigation could take some time and on the value of associated work being shared amongst the entire membership of the committee, agreed to approve the proposed scope of the review.

CHAIR

