

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 29 September 2022.

Present:

Councillor Andrew Morrison (Chair)
Councillor Tony Buchanan (Vice Chair)(*)
Councillor Paul Edlin

Provost Mary Montague (*)
Councillor Gordon Wallace

Councillor Morrison in the Chair

(*) indicates remote attendance

Attending:

Louise Pringle, Director of Business Operations and Partnerships; Barbara Clark, Chief Accountant; Alison Ballingall, Senior Revenues Manager; Gill Darbyshire, Chief Executive's Business Manager; Kath McCormack, HR Manager; Michelle Blair, Chief Auditor; Linda Hutchison, Clerk to the Committee; John Burke, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

John Boyd and Louisa Yule, Audit Scotland.

Apologies:

Councillors Annette Ireland and David Macdonald.

DECLARATIONS OF INTEREST

145. There were no declarations of interest intimated.

CHAIR'S REPORT

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

CLARIFICATION RECEIVED ON QUERIES RAISED AT PREVIOUS MEETING

147. Under reference to the Minute of the meeting of 11 August 2022 (Page 96, Item 68 refers), when it had been agreed that clarification would be provided on a number of matters, in the interests of transparency, the committee considered a report by the Clerk summarising the clarification received and circulated on queries raised at the previous meeting on two treasury management issues.

The committee noted the position.

MANAGING ABSENCE

148. Under reference to the Minute of the meeting of 23 September 2021 (Page 1648, Item 1761 refers), when absence management during 2021/22 had been discussed, the committee considered a report by the Director of Business Operations and Partnerships providing an update on the Council's sickness absence levels and its approach to managing absence.

Whilst commenting on absence data for 2021/22, the report explained that there had been an increase in both local government employee (LGE) and teacher absence, but an improvement in both compared to pre-COVID-19 figures for 2019/20. There had been a significant decrease in 2020/21 due to lockdown and the high number of employees working from home. The top reasons for sickness absence were itemised, with stress (non-work related) continuing to be the main cause across both LGE and teaching staff.

Various issues on sickness absence reporting and absence benchmarking were highlighted, including Local Government Benchmark Framework (LGBF) data available, and an error identified regarding the overall Full Time Equivalent (FTE) figure used to calculate and report the Statutory Performance Indicator (SPI) for absence for 2020/21. Rectification of this had resulted in the Council being placed 10th instead of 15th for teaching staff in the LGBF tables, and 21st instead of 24th for LGEs.

It was clarified that in 2020/21 absences due to COVID-19 had not been counted as part of the absence SPI. Absence, and the corresponding SPI, were expected to be higher in 2021/22 due to the number of employees affected by the virus and the relaxation of COVID-19 rules, although shielding and homeworking had helped reduce the causes of other absences. It was confirmed that in 2021/22 COVID-19 absence over 12 weeks or due to the vaccine was recorded as sickness absence, with those under 12 weeks recorded as special leave. Since July 2022 all COVID-19 related absence had been recorded as sickness absence.

The report provided statistical information on absence trends since 2014/15 and made reference to related issues, including Office for National Statistics (ONS) data, and that absence was consistently higher in the public sector compared to the private sector, reasons for which were cited. Based on information from the ONS, a list of the groups of employees with the highest sickness absence rates in 2021 was provided. Other issues commented on included the findings of the 2022 Chartered Institute of Personnel and Development (CIPD) Health and Wellbeing at Work survey.

Further information was provided on the focus placed on absence improvement and related matters, during which reference was made to higher rates of absence amongst Council employees in frontline services. It was confirmed that the Council continued to adopt robust absence monitoring strategies and focus on improvement, such as reviewing absence cases in hot spot areas and promoting early intervention to support those affected by stress. Reference was made to ways in which the Council continued to support staff wellbeing. Statistics were provided on dismissals on grounds of capability and ill-health retirements.

It was concluded that overall, absence had increased since 2021/22, but improved compared to 2019/20, with absence anticipated to increase further due not only to COVID-19, but also cost of living pressures. The Council's approach to absence management remained in line with benchmarking and best practice, and placed a strong focus on improvement, with appropriate resources and strategies in place for employees.

The HR Manager commented further on key aspects of the report during which she confirmed that SPI data was not yet available for 2021/22, that HR had provided direct support regarding 340 absence cases, and that managers were encouraged to participate in related training.

In response to Councillor Morrison who asked if working from home had impacted on absenteeism and stress levels amongst employees, the HR Manager clarified that only approximately 500 employees worked on a hybrid basis, and referred to related issues and initiatives to support them, such as *Switch off and Shift* and implementation of the health and wellbeing strategy. She added that account was taken of the different working arrangements of all groups of employees, and that stress remained a concern and area of focus.

Councillor Wallace raised various issues such as asking what the actual differences were between the public and private sector as far as absence was concerned, and expressing the view that a need remained to get to the core of the absence issue as reasons always seemed to remain why it did not improve. He asked why the problem was an East Renfrewshire one, or at least one in the public sector. The HR Manager highlighted reference in the report to the differences between the public and private sector commented on by the ONS linked to the types of roles carried out, and referred to the Council's ageing workforce and higher levels of occupational sick pay in the public sector as contributory factors. Having challenged the comments made on the ageing workforce which he stated was a feature of other sectors without the same levels of absenteeism, Councillor Wallace sought information on the financial cost to the Council of absenteeism which the HR Manager stated could be provided.

Provost Montague referred to the value of an apolitical committee such as this one and in considering both quantitative and qualitative issues. Against that background, having commented on support provided to women affected by the menopause, she asked if support was also provided to women experiencing symptoms associated with monthly periods, and if female employees had been asked what specific support they needed on this. Having referred also to support required by women affected by violence, she proposed that a presentation be made to a future meeting on a range of women's health related matters such as these and related best practice, highlighting the high proportion of the workforce who were female.

The HR Manager confirmed that a presentation could be made, referring for example to a pilot underway with Women's Aid on educational training for managers on violence against women and girls. She also explained that the Council's Equality Working Group could be asked to consider establishing a group on women's health issues, and confirmed that absence due to periods was recorded under a gynaecological category. She was not aware of this particular issue being a bigger one than menopause for example, explaining that any such issues would be dealt with locally by managers, but that she could make further reference to this in the proposed presentation.

In response to Councillor Edlin who commented that absence rates were higher than desirable and compared to the private sector, and stressed the value of finding ways to address this, Councillor Morrison referred to the Council's responsibility to secure Best Value. The HR Manager commented that the report under consideration covered benchmarking in some respects, but that additional comparative data with the private sector could be added to future reports. It was confirmed that the LGBF data for 2021/22 was awaited.

In response to a further issue raised by Provost Montague, the HR Manager confirmed that, subject to the particular role of employees, a raised desk was an option for some who were seated at them for large parts of their working day, to enable them to stand and help prevent musculoskeletal and other health issues.

Councillor Buchanan raised concerns about some of the comments made by other Elected Members about employee absence due to ill health and the sick pay they received, expressing the opinion that the statistics provided did not seem unreasonable considering the roles performed and impact of COVID-19. He thought it likely that additional stresses arising from the pandemic could come to the fore in future, and considered the Council's absence rates comparable with others over the years, in addition to which he referred to the age demographic of the authority's workforce and particular challenges faced in the public sector. He added that the workforce did a fantastic job under difficult circumstances.

Councillor Wallace, supported by Councillor Edlin, referred to the committee's particular and important apolitical scrutiny role which involved posing questions, and his preference for receiving feedback and clarification from the range of professional officers working with Elected Members on issues under consideration. Against that background, he requested that all members of the committee conduct themselves apolitically, asking fair and reasonable questions and allowing officers to address these.

The committee, having heard Councillor Morrison refer to the importance of addressing absenteeism in an appropriate manner:-

- (a) agreed that the HR Manager should provide further information on the cost to the Council of absenteeism;
- (b) agreed that the HR Manager make a presentation to a future meeting on women's health related matters, including support provided to female employees on menstrual related issues and violence against women, related consultation with them on such issues to help ensure their needs were identified and addressed, and associated best practice on support;
- (c) noted that the Equality Working Group, which was considering which related groups needed to be established, could be asked to consider establishing a group on women's health issues;
- (d) noted that additional benchmarking data on absence levels, such as compared to private sector organisations, could be included in future absence reports; and
- (e) otherwise, noted the content of the report and trend in absence ratings, supporting the range of approaches being taken to reduce absence levels across the Council.

NATIONAL FRAUD INITIATIVE – UPDATE

149. Under reference to the Minute of the meeting of 23 September 2021 (Page 1649, Item 1763 refers), when a report on the National Fraud Initiative (NFI) in Scotland had been noted, the committee considered a report by the Director of Business Operations and Partnerships providing an update on the NFI in Scotland and related work carried out by the Council for 2021/22.

The report explained that the Council had an effective approach to the NFI, that all related recommendations had been addressed, and that a range of relevant services across the organisation participated in this biennial exercise, the outcomes of which were reported to the committee routinely. It was clarified that the outcomes and the Council's approach were also subject to audit, that Audit Scotland would comment on the Council's approach in their Annual Audit Report, and that related work in this area was highlighted in the following item on the agenda.

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 its 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. Mitigating potential fraud was a matter for each service area.

The report summarised issues raised in the Audit Scotland report on *The National Fraud Initiative in Scotland 2022*, following which reference was made to the 3,026 potential matches within the Council reported in the 2020/21 NFI exercise with a potential value of fraud or error of £77,499, and how related work was progressed. The decrease of 1,396 matches compared to the previous exercise was attributed to the more robust control environment associated with the new Integra Finance and Procurement ICT system.

Having made reference to other work on fraud progressed by Audit Scotland at a national level, including in relation to COVID-19 grants, the report provided further information on various initiatives with which the Council was involved, including the Fraud and Error Investigation Service and membership of various networks which circulated and shared information on potential scams and frauds. It was confirmed that the next stage was to start the 2022/23 exercise in 2023.

In conclusion, the report referred to the robust and effective approach to NFI in place which was complemented by existing fraud prevention measures, and confirmed by Audit Scotland in their 2022 report. Reference was also made to challenges of completing the most recent NFI exercise due to competing work pressures.

The Senior Revenues Manager highlighted key aspects of the report, during which she referred to the computerised techniques used to identify potential matches, confirmed that the single point of contact for the NFI within the Council was a member of her Revenues Team, and that the recovery of funds mostly related to the cancellation of single person discounts.

The committee:-

- (a) agreed to pursue publicity regarding the Council's whistleblowing arrangements, which was in line with one of its self-evaluation recommendations, regarding which liaison would take place with the Chair and appropriate officers, including the Communications Manager and Chief Auditor; and
- (b) otherwise, noted the action taken in respect of the National Fraud Initiative in East Renfrewshire Council for 2021/22.

MANAGING THE RISK OF FRAUD AND CORRUPTION – FRAUD RESPONSE STATEMENT 2021/22 (INCLUDING AUDIT SCOTLAND FRAUD AND IRREGULARITY REPORT 2021/22)

150. Under reference to the Minute of the meeting of 23 September 2021 (Page 1650, Item 1764 refers), when a report on the Council's Fraud Response Statement 2020/21 had been noted, the committee considered a report by the Chief Executive regarding the Council's Fraud Response Statement 2021/22, providing an overview of measures in place across the Council to address anti-fraud, bribery and theft, and referring to the management of the risk of fraud and corruption. The report also provided an update on action taken during 2020/21 where appropriate, and commented on the Council's response to the Audit Scotland *Fraud and Irregularity Report 2021/22*.

The report highlighted the authority's commitment to fighting fraud and bribery, acknowledged that the risk of fraud had increased due to COVID-19, 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 (CMT) had approved a revised Anti-Fraud, Bribery and Theft Strategy in August 2019 which aimed to promote an attitude of zero tolerance, and that, in line with the CIPFA Code, a Fraud Statement was considered annually.

Having referred to the purpose of the Audit Scotland report on *Fraud and Irregularity 2021/22* and related key messages, it was confirmed that related recommendations had been considered in relation to practices within the Council to proactively try to identify potential weaknesses and ensure appropriate measures had been taken.

The report referred to a range of measures in place to address anti-fraud, bribery and theft, including in respect of governance; IT and cybercrime; procurement; health and wellbeing; and payment/insurance/payroll & HR, which had included reviewing the Council's Anti-Money Laundering Policy. A range of issues on reporting and potential fraud were commented on, including information brought to the committee's attention, the Council's effective approach to the NFI, and potential fraud in relation to COVID-19 payments. It was confirmed that in the event of a potential fraud or concern being identified, as appropriate, this was escalated through management, Internal Audit and Police Scotland.

The Chief Executive's Business Manager highlighted key aspects of the report, including in relation to the NFI and the committee's scrutiny role in relation to this area of work.

Councillor Wallace referred to the government funded COVID-19 grants made available through the Council to individuals and businesses which a range of officers had been involved in administering, and internal audit work in this area which had confirmed that these had been disbursed in compliance with guidance issued for doing so. He expressed interest in finding out if any sums had been claimed fraudulently, irrespective of the guidance being adhered to.

The Chief Auditor confirmed that internal audit work had focussed on what the Scottish Government guidance was, and that she was not aware of any other exercises being carried out at another level. The Director of Business Operations and Partnerships stated that she understood the economic development team had had a process in place to check grant eligibility against government set criteria, following which her service was involved in payment of the grants linked to which further financial control compliance checks were undertaken. Further in response to Councillor Wallace who sought her professional opinion on whether or not the measures to ensure claims were legitimate and related checks and balances were sufficient, she confirmed she had not checked this but that, to the best of her knowledge, economic development had had robust controls in place.

The committee, having heard Councillor Morrison confirm that a further report was to be submitted on the Audit Scotland report on *Scotland's Financial Response to COVID-19*, noted:-

- (a) that a report was in preparation for submission to a future meeting on issues raised in the Audit Scotland report on *Scotland's Financial Response to COVID-19*, in relation to which potential fraud related issues could be revisited; and
- (b) otherwise, the content of the Fraud Response Statement and work being undertaken across the Council in relation to managing the risk of fraud and corruption; and feedback provided in the context of comments made in the Audit Scotland report *Fraud and Irregularities 2021/22*.

STRATEGIC RISK REGISTER AND RISK MANAGEMENT PROGRESS

151. Under reference to the Minute of the meeting of 7 April 2022 (Page 1859, Item 1953 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 biannual 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 38 strategic risks, 8 of which had been evaluated as high risk and 30 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; and risks that had been rescored from high to medium or medium to high. It was confirmed that although reports on the SRR were submitted to the committee every 6 months and to the Cabinet annually, the register was considered to be a live document and updated continually. In terms of horizon scanning, for the first time, issues being kept under review by the CMT, departments and services were itemised with a view to these being added to the appropriate service, operational and departmental registers or the SRR in due course.

The Chief Executive's Business Manager commented further on various aspects of the report during which she confirmed that the list of issues being monitored in terms of horizon scanning had been added following a suggestion on this made by Audit Scotland.

In response to Councillor Wallace, the Chief Executive's Business Manager confirmed that independence was included in the horizon scanning section of the report, and was amongst issues the CMT was keeping under review. Councillor Wallace referred to the Scottish Government's stated intention to hold an independence referendum in 2023, querying why it was not included in the SRR and a level of risk attributed to it. In response the Chief Executive's Business Manager reiterated that all risks remained under review and were included in the SRR when the CMT considered appropriate. Councillor Wallace suggested that the CMT be asked to consider adding this to the SRR and requested that feedback on their response be provided.

Provost Montague expressed concern that the risk of the inability to continue to deliver the Council's preferred, or at least an acceptable, model of 1,140 hours of free early learning and childcare, had moved from medium to high, given the importance of progressing this including from an equality perspective. Councillor Morrison highlighted the mitigations referred to in the report, as did the Chief Executive's Business Manager who assured the committee that the Education Department was looking at this issue very carefully.

The committee, having heard the Clerk confirm that any such comments made by the committee were recorded in the Minute and fed back to the CMT, noted:-

- (a) that the comments made on considering the inclusion of a risk on Scottish Independence in the Strategic Risk Register would be relayed back to appropriate officers, and that feedback on the outcome of the related discussion on this would be provided, which was in line with one of the committee's self-evaluation recommendations; and
- (b) otherwise, 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 as appropriate.

LOCAL EXTERNAL AUDIT REPORT – EAST RENFREWSHIRE COUNCIL MANAGEMENT REPORT 2021/22 – REVIEW OF INTERNAL CONTROLS IN FINANCIAL SYSTEMS

152. The committee considered a Management Report by the External Auditor summarising the key issues identified during interim audit work at the Council, which included testing key controls within financial systems to gain assurance over the processes and systems used in preparing the Annual Accounts. Under the committee's specialisation arrangements Councillor Morrison was leading the review of this report.

The report clarified that audit 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. The key findings and action plan for 2021/22 were summarised in Exhibit 1. For example, these related to a review of user access to key financial systems, employee verification, payroll to ledger reconciliations, Council Tax refund reconciliation, Council Tax billing and benefits quality control checks.

Mr Boyd was heard in respect of the report during which he clarified that the report was submitted to the committee given its governance role, highlighted that the report focused on the overall control environment and External Audit's initial risk assessment, and clarified that amongst other things the report summarised the impact of its audit testing and audit response in terms of the financial statements to support the overall audit opinion which would be included in the Annual Audit Report which would be submitted in October.

Councillor Morrison referred to the recommendation made on Council Tax billing, highlighting that some outstanding amounts from previous years had not been pursued because data was not available due to the change of system used, and seeking clarification on when the Council would be in a position to start addressing that even though the target date for this was March 2023. The Director of Business Operation and Partnerships confirmed that the recovery work had commenced.

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

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Councillor Edlin left the meeting at this point.

NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT IN SCOTLAND OVERVIEW 2022

153. The committee considered a report by the Clerk on the publication by the Accounts Commission of a report entitled *Local Government in Scotland Overview 2022* regarding which, under the committee's specialisation arrangements, Councillor Morrison was leading the review of the report. The Director of Business Operations and Partnerships had provided comments on the report and a copy of her feedback was attached to the report.

The report aimed to provide high level comments on the Council's position in the context of the Accounts Commission report, which was a wide-ranging one which summarised the challenging context within which local government was operating: balancing ongoing pandemic-related demands; financial pressures; and the prospect of major service reforms. Having referred to key messages within the report which were pertinent to the local experience in East Renfrewshire, comments on a wide range of issues were provided, focussing on two themes in the Accounts Commission report, namely 'Organising the Council' and 'Meeting Local Needs'. It was explained that more in-depth coverage on many issues could be found in various reports on specific topics submitted to the full Council, Integration Joint Board, Cabinet and various committees.

Regarding organisation of the Council, comments provided included those on leading recovery and renewal, education recovery, East Renfrewshire Culture and Leisure Trust Libraries, and management of resources and the workforce. Regarding meeting local needs, reference was made to the impact of COVID-19 on services and inequality, collaboration and communities. In relation to all of these, links to a range of reports, data and further information were provided.

It was concluded that the Council fully recognised the challenges outlined in the Accounts Commission's report, and was working to address these through the approaches and activities highlighted. Coverage of key issues throughout the year as part of day-to-day business was considered to provide strong evidence and assurance that the Council was well positioned across the wide range of issues highlighted. It was suggested that the committee considered the Accounts Commission report and the issues and themes therein as part of its annual work programme to guide areas where the committee would find value in a more detailed response to enable further discussion and scrutiny.

Councillor Morrison expressed the view that the Council was doing what was required of it, and referred to a helpful checklist for Members provided by Audit Scotland to assist with the review of the local position. He indicated that, in future, he intended to invite the member of the committee leading the review of any report to make some brief comments on it prior to more general discussion, whilst acknowledging that all members would be reviewing the content. He referred to some particular issues such as closer working with the third sector on which comments had been provided, the potential loss of staff or difficulties recruiting and retaining them, and issues on the horizon such as linked to the National Care Service, shortfall in the social care workforce, and the Council's COVID-19 recovery plan which he had valued hearing more about as a new Elected Member.

The Director of Business Operations and Partnerships explained that, in recognition that a new committee had been appointed following the elections, fuller feedback had been provided on this occasion than would normally be the case. She stressed that the last few years had

been very difficult, commending the Council's workforce which had taken on additional duties and worked additional hours to help address new challenges linked to the pandemic, and commenting on the related strain on employees which could be seen.

She referred to the importance of collaborative leadership in relation to COVID-19 and lessons learned on that, such as regarding forging partnerships, which was being used to face new challenges faced such as in relation to the cost of living crisis. She added that pressures on the workforce and budget concerns would continue, acknowledging the related impact on staff who were worried about that. She confirmed that data had been used to make and drive decision making and service improvements.

Against the background of the budgetary pressures faced, Councillor Wallace sought clarification on what was being done to ensure that the workforce was receiving proper communication on this given concerns they may have regarding their job security and livelihood, whilst acknowledging the difficulties faced.

In response, having heard Councillor Morrison refer to the impact this could have on levels of stress and absenteeism, the Director of Business Operations and Partnerships highlighted the concerns management had regarding their teams, that all local authorities were in a similar position, and that a lot of discussions on the budget remained to take place, including because the Council's financial settlement would remain unknown until December. She confirmed that a document was scheduled to be circulated in the next week or so to start to communicate to both staff and the public the scale of the challenges faced and the financial gap to be breached. It was confirmed that additional communications would be released over time, that public consultation on the budget would also be undertaken, and that an outline briefing on the general way forward had just been given to the Trade Unions, with whom further discussion would take place over time.

The report and related comments made were noted.

CHAIR