

Business Operations and Partnerships Department

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Date: 4 November 2022

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TO: Councillor Andrew Morrison (Chair), Tony Buchanan (Vice-Chair), Provost Mary Montague and Councillors Paul Edlin, Annette Ireland, David Macdonald and Gordon Wallace.

AUDIT AND SCRUTINY COMMITTEE

A meeting of the Audit and Scrutiny Committee will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, on **Thursday, 10 November 2022 at 2.00pm.**

The agenda of business is as listed below.

Yours faithfully

Louise Pringle

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DIRECTOR OF BUSINESS OPERATIONS & PARTNERSHIPS

AGENDA

1. **Report apologies for absence.**
2. **Declarations of interest.**
3. **Chair's Report.**
4. **Summary of Early Retirement/Redundancy Costs to 31 March 2022 – Report by Director of Business Operations and Partnerships (copy attached, pages 3 - 6).**
5. **Interim Treasury Management Report 2022/23 – Report by Head of Accountancy (Chief Financial Officer)(copy attached, pages 7 - 20).**
6. **Internal Audit Plan 2022/23 – Implementation Progress – July to September 2022 – Report by Chief Auditor (copy attached, pages 21 - 34).**

- 7. National External Audit Report – Scotland’s Financial Response to COVID-19 – Report by Clerk (copy attached, pages 35 - 46).**

A recording of the meeting will also be available following the meeting on the Council’s YouTube Channel <https://www.youtube.com/user/eastrenfrewshire/videos>

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EAST RENFRESHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

10 NOVEMBER 2022

Report by Director of Business Operations and Partnerships

SUMMARY OF EARLY RETIREMENT/REDUNDANCY COSTS TO
31 MARCH 2022

PURPOSE OF REPORT

1. The purpose of this report is to provide the Audit and Scrutiny Committee with a summary of early retirement/redundancy costs from 1 April 2021 to 31 March 2022.

RECOMMENDATION

2. The Audit and Scrutiny Committee is requested to note the content of the report covering early retirements/redundancies within the report period and the related projected savings. Please note all figures are pre audit and subject to change.

BACKGROUND

3. The Council recognises as good practice that on an annual basis elected members should receive summary information on the number, costs and forecast savings on early retirement and redundancy costs where decisions are delegated to officers.

4. The Local Government Pension Scheme (Scotland) Regulations 1998 permit pension scheme administering authorities to charge employing authorities for the costs incurred by early payment of pension benefits to employees who retire early in various circumstances; such sums are known as "strain on the fund" costs.

5. Strathclyde Pension Fund invoices the council as the costs are incurred. This report covers the period from 1 April 2021 to 31 March 2022.

REPORT

6. Redundancies continue to be assessed using a process based on a financial business case. Where the organisation chooses to grant an early retirement or voluntary redundancy the financial business case for the restructure needs to show that the costs can be recovered within acceptable timescales with ongoing tangible savings being achieved thereafter.

7. It should be noted that some redundancies are paid due to legal requirement and there is no business case, this can be due to a number of factors: termination of a temporary contract with no long term funding, termination of temporary contract where the employee had continuous service from another public sector body covered by the RMO (Redundancy Modification Order) or deletion of a post.

8. For statutory purposes leavers are included in the year in which the decision was taken and the non-recurring charges within this report are aligned with the information contained in the 2021-22 statutory accounts.

9. The total charge accounted for in the Strain on the Fund cost from Strathclyde Pension Fund for the period April 2021 to March 2022 is £10,421.58

10. As with the previous year, during the period between April 2021 and March 2022 the Council significantly reduced the amount of restructuring and change projects due to the ongoing impact of COVID-19.

11. During this report period there have been 3 instances of early retiral/redundancy and a summary is provided in Appendix A. 1 of these instances was due to the end of a temporary contract, with the individual being legally entitled to a redundancy payment as their contract had exceeded 2 years' service.

12. From Appendix A the initial costs of processing the early retirals/redundancies was £74,800.07 resulting in net annual savings of £92,538.03. From these figures the initial outlay to process the early retirals/redundancies will be recovered in 0.8 years with savings in excess of £92K per annum being achieved thereafter.

RECOMMENDATION

13. The Audit and Scrutiny Committee is requested to note the content of the report and the explanations provided for early retirals/redundancies within the report period and the related projected savings.

Director of Business Operations and Partnerships

Report Author:
Kath McCormack, HR Manager
Email: kathryn.mccormack@eastrenfrewshire.gov.uk

COSTS/SAVINGS OF EARLY RETIRALS/REDUNDANCIES FROM 1/4/21 TO 31/3/22**Redundancy Approvals & Costs for Audit Committee 1st April 2021 to 31st March 2022**

Department	Headcount	Full Time Equivalent Total	Pay in Lieu of Notice	Redundancy	Annual Yearly Lump Sum	Strain on Fund	Additional Employers National Insurance	Total One Off Costs	Annual Yearly Pension	Savings
Combined Figures across all Council Departments/ Partnerships	3	2.5	£0.00	£63,902.48	£0.00	£10,421.58	£476.01	£74,800.07	£0.00	£92,538.03

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE10 November 2022Report by Head of Accountancy (Chief Financial Officer)INTERIM TREASURY MANAGEMENT REPORT FOR 2022/23**PURPOSE OF REPORT**

1. To advise the Audit and Scrutiny Committee on the treasury management activities for the first 6 months of 2022/23.

RECOMMENDATIONS

2. It is recommended that Members:-

- a) Note the interim Treasury Management Report 2022/23; and
- b) Recommend to the Council that the attached organisations for investment of surplus funds be approved (see Appendix II).

BACKGROUND

3. The treasury management policy statement requires the Chief Financial Officer to report every 6 months on the activities of the Treasury Management operation and on the exercise of the powers delegated to her.

4. In addition, in line with the CIPFA Code of Practice on Treasury Management 2017, the Audit & Scrutiny Committee is responsible for ensuring the effective inspection of treasury management activities.

5. The attached Interim Treasury Management Report for the financial year 2022/23 is submitted in accordance with these requirements.

TREASURY MANAGEMENT ACTIVITIES IN 2022/23

6. The interim report for period 1 April 2022 to 30 September 2022 is attached as Appendix I.

RECOMMENDATIONS

7. It is recommended that Members:-

- a) Note the interim Treasury Management Report 2022/23; and
- b) Recommend to the Council that the attached organisations for investment of surplus funds be approved (see appendix II).

Report Author

Further information is available from Barbara Clark, Chief Accountant, 577 3068

Key Words

Treasury Management, Interest Rates, Prudential Indicators, investment.

EAST RENFREWSHIRE**INTERIM TREASURY MANAGEMENT REPORT 2022/23**

Table 1

1. Actual External Debt

	Borrowing 01/04/22 £m	Average Interest %	Borrowing 30/09/22 £m	Average Interest %	Change in 6 mths £m
<u>Long Term Borrowing</u>					
Public Works Loan Board	103.67	3.39	113.22	3.32	9.55
LOBO (Lender Option Borrower Option)	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Lease	78.71	7.17	78.71	7.17	0.00
Total borrowing	196.78	4.99	206.33	4.88	9.55
<u>Short Term Lending</u>					
Temporary Investments	(78.43)	0.47	(96.50)	2.05	(18.07)

2. During the period new borrowing of £10m was taken from the Public Works Loan Board and there was only a very small repayment of existing borrowing.

3. The opening cash surplus of £78.43 million has increased to £96.50 million due to both revenue and capital cash flows.

4. At 30 September 2022 the Council had 6.98% of its total borrowing outstanding in variable rate loans. The peak of borrowing outstanding in variable rate loans during the period 01/04/22 to 30/09/22 was 7.34%. For the Council to gain a high level of stability in overall borrowing costs the Council's Treasury Policy Statement requires the exposure to variable rate loans to be less than 30% of the total borrowing outstanding.

5. The attached tables chart the following:

Table 2 The Council's debt maturity profile – which is in line with the Council's Treasury Policy Statement

Table 3 Bank base rate movements

Table 4a and 4b The Council's activity in the temporary market

Table 5a and 5b Interest rate movements in the temporary market

6. Prudential Indicators

In line with the agreed monitoring arrangements for the Prudential Indicators, listed below there is a table showing prudential indicators comparing the approved indicator, as reported to the Council on 3 March 2022, along with the projected outturn figures for the year end, demonstrating that the Council is operating well within the limits set.

Prudential Indicator	Approved indicator	10 Projected Outturn for the year end	COMMENT
1. Capital Expenditure	£83,202,000	£73,664,000	The movement is due to the reprofiling of capital projects in both 2021/22 and 2022/23 within the Housing and General Fund Capital Programmes, moving spend on various projects to later years.
2. Capital Financing Requirement (CFR)	£281,723,000	£246,957,000	The overall CFR is lower than the approved position due to reduced capital expenditure from that planned in both the previous and the current years, as a result of the reprofiling of the Housing and General Fund Capital Programmes.
3. Operational Boundary for External Debt	£286,988,000	£246,195,000	The approved indicator reflects the opening position for the year and the Outturn indicator reflects the closing position. The movement is therefore due to the projected in year net debt repayment of £6.03m being made, in addition to the movement in the Capital Financing Requirement.
4. Authorised Limit For External Debt	£318,230,000	£246,195,000	The approved indicator includes an allowance, over and above the Operational Boundary, to cover any unusual temporary movements. It is anticipated that this additional allowance will not be required during the year.
5. Gross Debt	£256,515,000	£227,515,000	The Projected Outturn reflects the under-borrowing position in 2021/22 and assumes that only £36m of the £55m approved borrowing will be taken in the current year.
6. Gross Borrowing to CFR (Under)/Over (£m)	(£25.208)	(£19.442)	The reduced under borrowing position is due to the reprofiling of both the Housing and General Fund capital programmes.
7. Financing to Net Revenue Stream Non – HRA HRA	7.2% 34.0%	7.1% 31.2%	The reduced percentages reflect increased income from that projected.
8. HRA - Ratio of Debt to Revenue	380.4	309.7	The reduced ratio reflects a combination of reduced debt and increased Income from that projected.
9. HRA – Debt Per Dwelling £	17,165	15,099	The reduced ratio reflects a combination of reduced debt and an increased number of dwellings from that projected.
10. Code of Practice For Treasury Management	The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes	All of the approved activities within the Council Treasury Management Policy Statement have been complied with.	

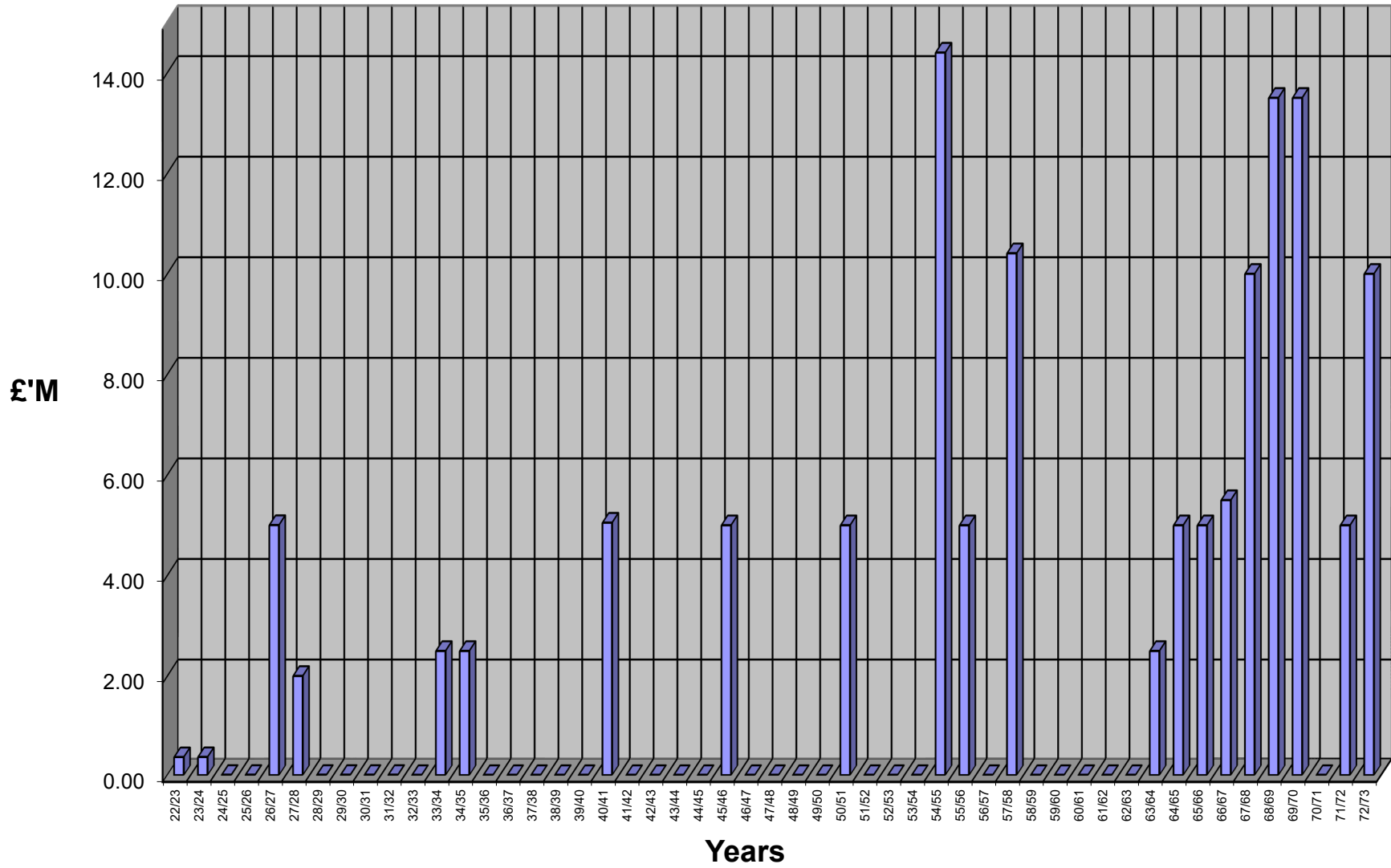
7. Approved Organisations for Investment

In line with normal practice the status of all Banks & Building Societies approved on the 11 August 2022 has been reviewed (see Appendix II). In this respect, the deposit limit decreased for Lloyds Banking Group from £12.5m to £10m along with the maximum deposit term from 12 months to 6 months and the deposit limit for Standard Chartered Bank has increased to £10m from £5m. In addition HSCB has been added with a deposit limit of £5m. All lending is in line with the permitted methods of investment which were approved by Council on 3 March 2022 as part of the Treasury Management Strategy report.

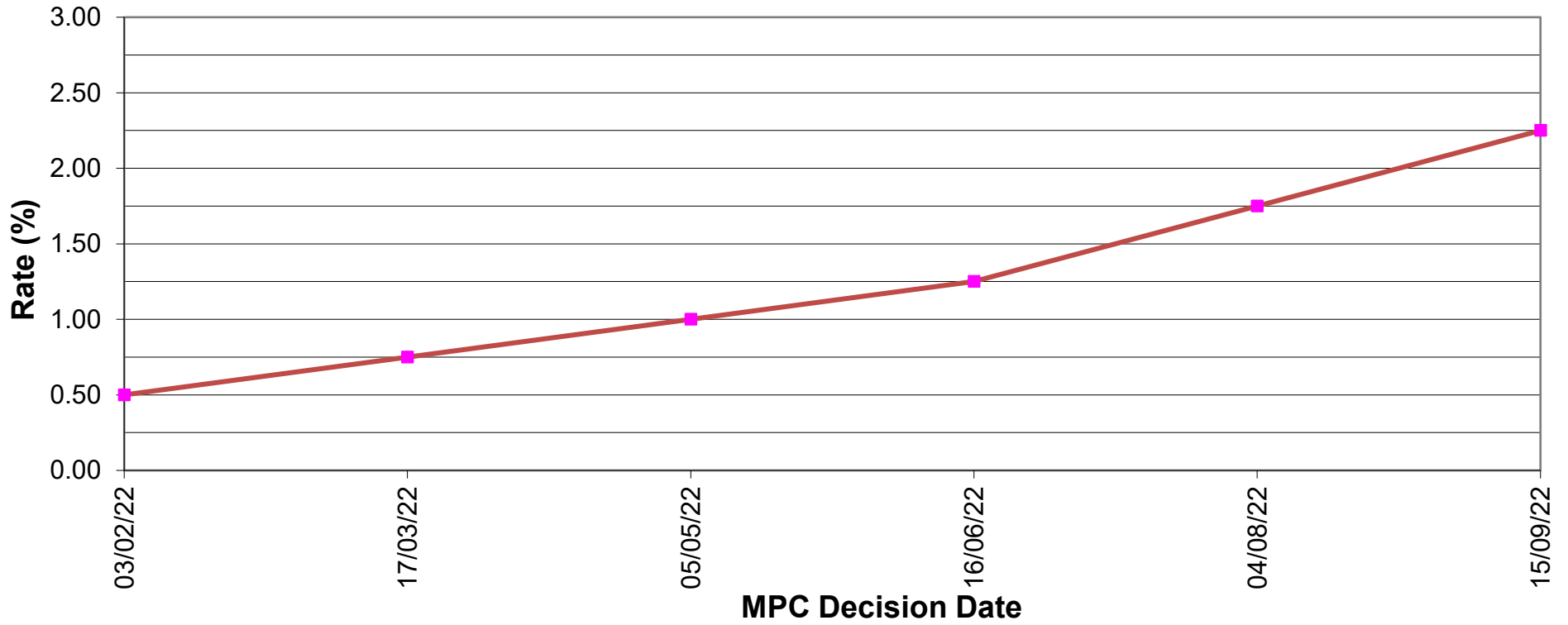
As a result of the banking crisis and in line with prudent financial management, investment has been restricted to UK organisations with high credit ratings. Also, the maximum period of investment was restricted to 6 months, in line with advice from our Treasury Advisers. These measures have been taken as a part of a risk managed process designed to protect the principal of the sums invested.

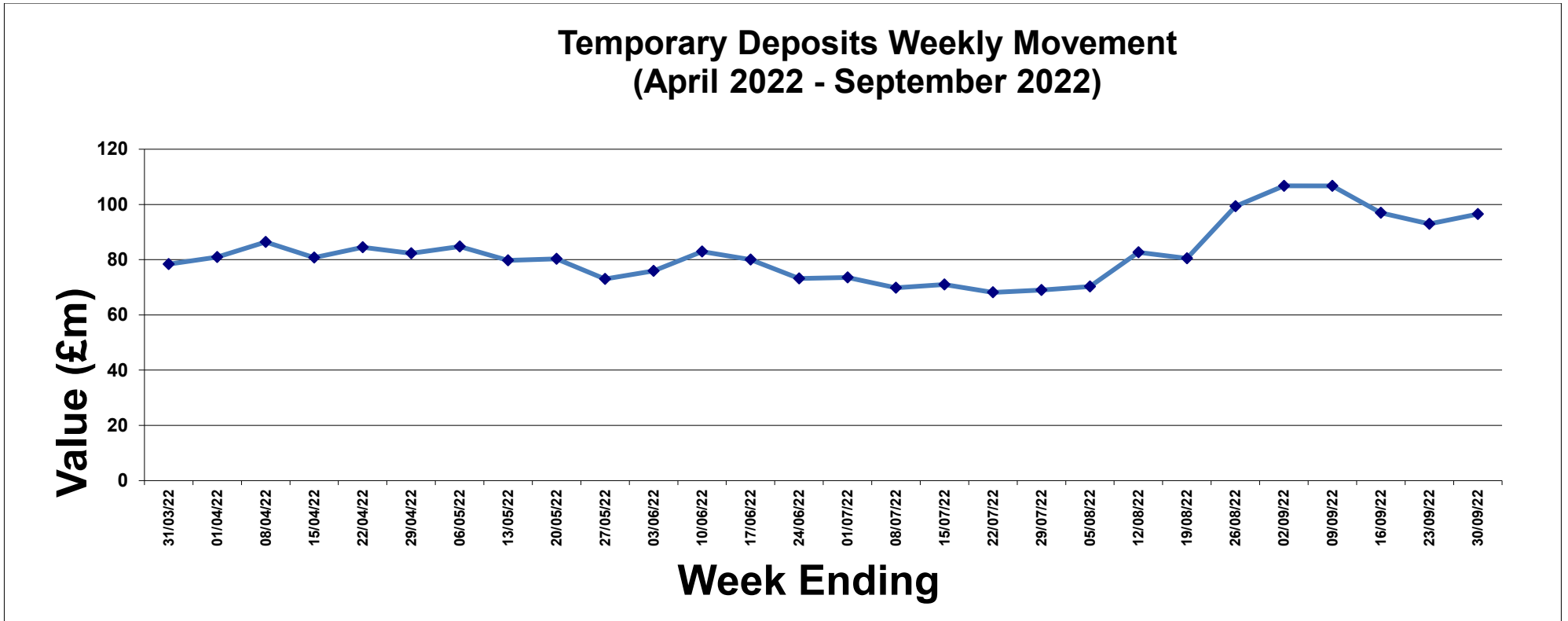
Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

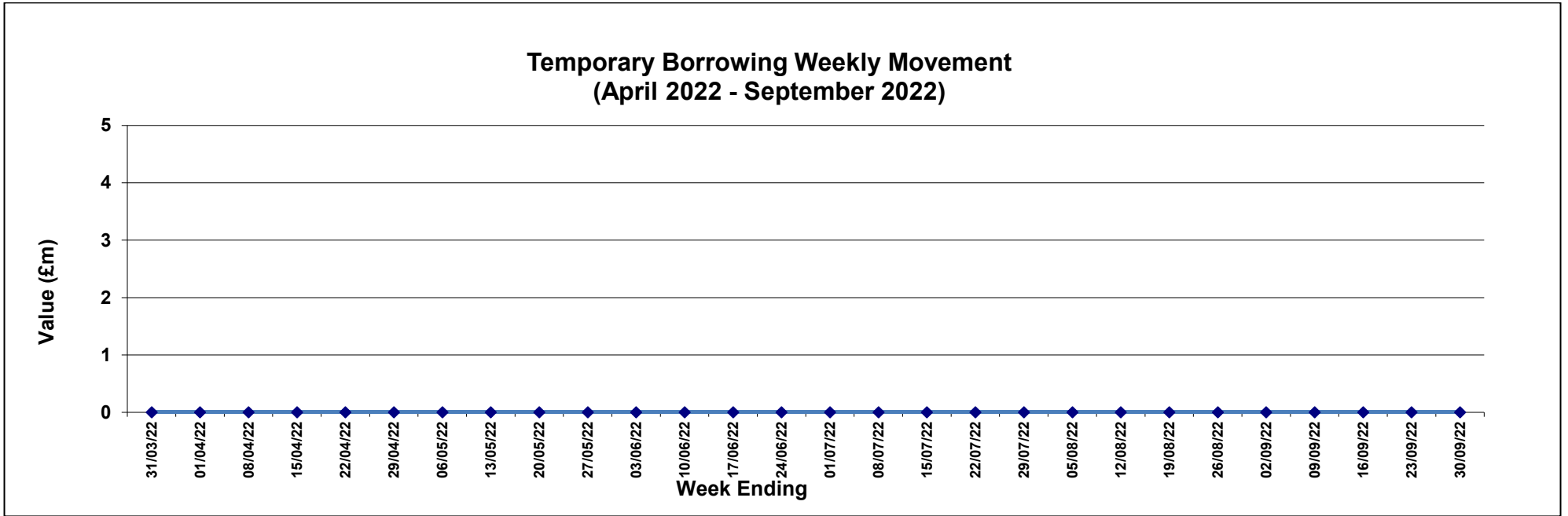
Long Term Debt Maturity Profile as at 30/09/22



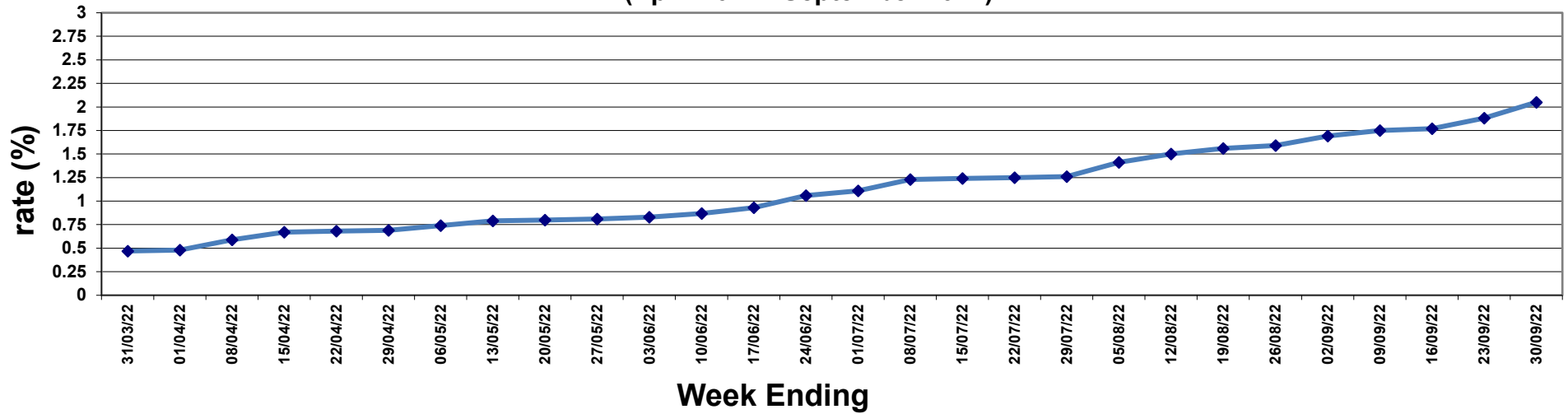
**Bank of England
Base Rate Movements
January 2022 to September 2022**

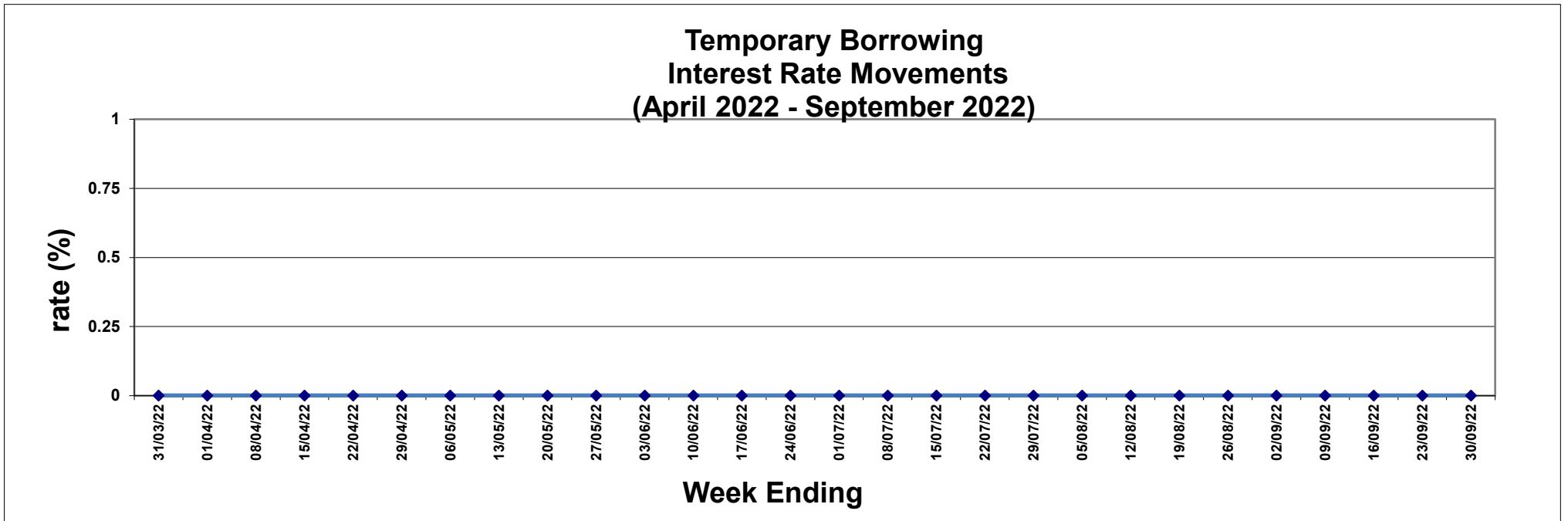






**Temporary Deposit
Interest Rate Movements
(April 2022 - September 2022)**





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ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS

Banking Group	Individual Counterparty	Limits	
		Deposit	Transaction
Bank of England	Debt Management Office	£30m	£30m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank	£5m	£5m
Goldman Sachs International Bank		£10m	£10m
HSBC		£5m	£5m
Lloyds Banking Group:	Bank of Scotland	£5m	£5m
	Lloyds Bank Corporate Mkt (NRF)	£5m	£5m
Royal Bank of Scotland Group:	Royal Bank of Scotland	£5m	£5m
	National Westminster Bank PLC		
Santander Group	Santander UK PLC	£10m	£10m
Standard Chartered Bank		£10m	£10m
Clydesdale Bank		£5m	£5m
Building Societies			
Nationwide		£10m	£10m
Local Authorities			
All Local Authorities including Police & Fire		£5m	£5m
Money Market Funds			
Maximum limit of £10m per fund		£60m	£10m

Credit Ratings

	Fitch		Moody's		S&P	
	LT	ST	LT	ST	LT	ST
Minimum Criteria (Unless Government backed)	A-	F1	A3	P-1/P-2	A	A-1/A-2

(please note credit ratings are not the sole method of selecting a counterparty)

Limit

Investment of surplus funds is permitted in each of the above organisations, limits can only be exceeded or another organisation approved with the written permission of the Chief Financial Officer.

Deposit Periods

The maximum period for any deposit is based on the LINK Suggested Duration matrix with a maximum of 6 months. These limits can only be exceeded with the written permission of the Chief Financial Officer.

Hub scheme deposit periods are dependent on the lifetime of the associated scheme.

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE10 NOVEMBER 2022Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2022/23 QUARTER 2**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2022/23 as approved in June 2022.

BACKGROUND

2. The work performed by Internal Audit is based on a rolling 5-year strategic plan, which is revised annually to take into account changes in circumstances. This report is provided to allow members to monitor the activities of Internal Audit and to oversee actions taken by management in response to audit recommendations.

AUDIT PLAN 2022/23 - PROGRESS REPORT QUARTER 2

3. A copy of the annual audit plan for 2022/23 is shown in appendix 1. Seven audits relating to planned 2022/23 audit work were completed in quarter 2 as shown in appendix 2. Appendix 3 gives detail of reports which were carried out as part of the 2021/22 plan or the 2022/23 plan where the responses were received since the last progress report. Responses are deemed to be satisfactory if all recommendations are accepted for implementation by management or where any recommendation is not accepted but a satisfactory reason is given. The quarterly performance indicators for the section are shown in appendix 4.

4. One new request for assistance was dealt with using contingency time during the quarter. This did not result in financial loss to the council.

RECOMMENDATION

5. The Committee is asked to:
- (a) note Internal Audit's progress report for quarter 2 of 2022/23 and
 - (b) confirm whether they wish any of the reports detailed in appendix 3 to be circulated to audit and scrutiny committee members or submitted to a future meeting for more detailed consideration.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.

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EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ANNUAL AUDIT PLAN FOR 2022/23 PROGRESS REPORT QUARTER 2

Department	Title	Audit Number	Original No. of days	Status
Chief Executives	Treasury Management	1	18	
	Ordering and Certification	2	20	In progress
	VAT	3	12	
Business Operations & Partnerships	Barrhead Payment Centre	4	11	In progress
	Creditor	5	24	
	Debtors	6	10	
	Housing Benefits/Universal Credit	7	30	
	IT Asset Management	8	20	
	Scottish Welfare Fund	9	15	
	Council tax – recovery and enforcement	10	18	
Education	Early Learning and Childcare Payments	11	15	
	Schools cluster	12	32	
Environment	Clyde Valley Contract Group	13	13	Complete
	Grant certification	14	15	
	Stores	15	20	Complete
	City Deal	16	15	
	Climate Change Report	17	5	
	Energy and Fuel	18	20	
Housing	New Council Houses	19	24	
HSCP	Direct Payments	20	20	In progress
	Barrhead Resource Centre	21	10	Complete
	IJB	22	15	
Trust	Culture and Leisure Limited Trust	23	20	In progress
Various	Contract 1 TBA	24	20	
	File Controls	25	12	In progress
	Fraud contingency	26	70	In progress
	General Contingency	27	30	In progress
	LG Benchmarking Framework	28	5	Complete
	Follow up	29	55	In progress
	Previous year audits	30	45	Complete
			639	

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INTERNAL AUDIT REPORTS AND MEMOS ISSUED 2022/23														
FILE REF	AUDIT NO.	SUBJECT	DEPARTMENT	DATE AUDIT STARTED	DATE REPORT MEMO SENT	DATE REPLY DUE	DATE REPLY REC	COMMENTS	Total	H	M	L	E	Not accepted
MB/1165/FM	29	Education FU	Education	01/04/22	01/08/22	02/09/22 Ext 16/09/22	16/09/22	Satisfactory	2	0	0	2	-	0
MB/1166/NS	29	Environment Follow Up	Environment	07/04/22	27/6/22	29/7/22	09/08/22	Satisfactory 1pt not accepted	11	1	1	9	-	1
			BO&P				05/07/22	Satisfactory						
			HSCP				29/07/22	Satisfactory						
MB/1167/NS	13	Clyde Valley Contract Group	Environment	06/05/22	30/09/22	NR	NR	No response required. Email only	0	0	0	0	-	0
MB/1168/FM	29	HSCP FU	HSCP	12/05/22	30/09/22	04/11/22								
MB/1169/NS	15	Stores	Environment	24/05/22	27/09/22	28/10/22	19/140/2 2	Satisfactory	5	1	1	3	-	0
MB/1170/MB	28	Invoice Processing PI	BO&P	01/06/22	22/06/22	29/07/22	27/06/22	Satisfactory	1	-	-	1	-	0
MB/1171/EL	20	Direct Payments	HSCP	22/9/22										
MB/1172/FM	23	ERCLT	ERCLT	14/06/22										
MB/1173/NS	21	Barrhead Resource Centre	HSCP	22/06/22	30/09/22	04/11/22								
MB/1174/NS	25	File Controls	BO&P	24/06/22										
MB/1175/EL	29	F/u of ICT Related Audits	BO&P	12/7/22	18/8/22	22/9/22	22/09/22	Satisfactory	10	3	2	5	-	0
			Environment				5/9/22	Satisfactory						
MB/1176/FM	19	New Council Houses	Environment											
MB/1177/MB	29	Follow up of BO&P audits	BO&P	7/7/22	22/09/22	28/10/22								
			Education				10/10/22	Satisfactory						

INTERNAL AUDIT
REPORTS AND MEMOS ISSUED 2022/23

FILE REF	AUDIT NO.	SUBJECT	DEPARTMENT	DATE AUDIT STARTED	DATE REPORT MEMO SENT	DATE REPLY DUE	DATE REPLY REC	COMMENTS	Total	H	M	L	E	Not accepted
			HSCP				28/10/22	Satisfactory						
			Environment				19/10/22	Satisfactory						
			CE Office											
MB/1178/NS		Ordering and Certification	CE Office	24/08/22										
MB1179/NS		Barrhead Payment Centre	BO&P	09/09/22										

Note: Audits issued in quarter are highlighted

1. MB/1158/FM Debtors

The audit covered the following control objectives:

- Accounts are properly raised and posted for all chargeable services
- Accounts are issued promptly in advance of the service being provided where possible
- Payments received are promptly processed and correctly posted to debtors' accounts
- Write-offs, cancellations and credit notes are properly controlled
- Arrears follow-up procedures are properly controlled.

The total amount of outstanding sundry debt for the Council as at 17 May 2022 was £2.1 million (which is all sundry debt outstanding irrespective of debtor nature), of which £1.1 million (52%) was greater than 12 months old. The top 20 debtors account for £0.7 million (33.3%) of the total debt. The debt that was issued within 30 days of the report being generated and was therefore not yet due to be paid amounted to £0.34 million. Testing carried out during the audit showed that invoices raised were accurate however, in many instances these were not raised in advance of the service being provided and often the invoice detail was insufficient to enable customers to verify the charges.

The main concerns arising from the audit are that suppression reports are not being generated and therefore there is no assurance that debtors accounts where recovery has been suppressed are being monitored and reviewed to ensure that the suppression of recovery action is valid. It was also noted that the sundry debt recovery processes have recently changed and new processes are underway which have yet to be formalised and documented. Stakeholders are currently working together to finalise sundry debt recovery procedures which will enable income collection to be maximised.

Ten recommendations were made, two were classified as high risk, six as medium risk, and two as low risk. All recommendations were accepted by management. The high and medium risk recommendations are reproduced below with the departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Departments must ensure that systems access reviews are carried out thoroughly to ensure that only the appropriate officers (both employees and agency workers) have access to financial systems.	High	Yes	Environment Procedures will be put in place to ensure service managers review and confirm which of their employees require access. (Note: live user list reviewed within last three months).	G Virgo	30 Sep 22
4.1.3	The annual Integra access verification exercise should require managers to actively confirm each employees ongoing need to access the system. In the absence of any user not being confirmed by a manager, they should be removed from the system.	Medium	Yes – but cannot remove from system. See note	BO&P An additional column will be added to the spreadsheet and managers asked to confirm, on an individual basis, if each user still requires access to Integra or not. It is not possible to remove users from the system. If managers do not respond to the review then the user account will be disabled until confirmation is received.	Paul Parsons	March 2023
4.2.1	Departments must ensure that invoices are raised in advance of the service being provided where possible to minimise the risk of bad debts.	Medium	Yes in part	HSCP The HSCP invoices highlighted in the report relate to community alarm and residential services. These are always billed in arrears in the event of a death of a service user to allow us to bill for the correct period.	Chief Financial Officer	N/A
			Yes	Education Correspondence will be issued to appropriate staff reminding them of the importance	Business Manager (Budget Unit)	Jul-22

				in ensuring invoices are raised in advance wherever possible.		
			Yes	Environment A reminder email will be issued to all service managers by the Director of Environment reminding them of the sundry debt management requirements.	D Kermack	31 Aug 22
4.3.1	Debt recovery suppression reports should be resumed as soon as possible and these should be generated and reviewed on a regular basis.	High	Yes	BO&P Accounts Payable/ Receivable Manager will discuss with Business Systems and Improvements Team to create a fit for purpose report	Accounts Payable/Receivable Manager	December 2023
4.4.1	Comprehensive debt recovery procedures should be documented and published as soon as possible.	Medium	Yes	BO&P The debt recovery policy will be updated and published in FY22/23.	Accounts Payable/Receivable Manager	March 2023
4.4.2	The procedures should clearly define which debts will be dealt with in-house by the accounts receivable team and at which point debts will be escalated to the legal team or the Sherriff Officers. The responsibilities of the issuing department should also be recorded in the written procedures.	Medium	Yes	BO&P The debt recovery policy will be reviewed and updated to ensure clear roles and responsibilities.	Accounts Payable/Receivable Manager	March 2023
4.4.3	A clear methodical approach to targeting debts should also be documented within the procedures to ensure that no debts are overlooked.	Medium	Yes	BO&P The debt recovery policy will be updated and published in FY22/23.	Accounts Payable/Receivable Manager	March 2023
4.4.4	Management should review the process used to monitor overdue debt and consider improvements which could be made to the spreadsheet.	Medium	Yes	BO&P A Review of all debt will be carried out and a procedure created within the Accounts Receivable Team	Accounts Payable/Receivable Manager	March 2023

2. **MB/1162/EL Housing Benefits**

The audit covered the following key control areas:

- Policies and procedures covering claims and supporting documentation
- Liability, residency and identity checks are appropriately carried out on all applicants
- Income for claimants is verified and records of household and non-dependants are held
- Rents payable are recorded appropriately
- Checks and incomplete claims, calculations and start dates including any backdating of claims
- Extended payments
- Data matching and reviews
- Change of circumstances

Generally, no significant control failures were identified and the processes within the areas reviewed are operating satisfactorily. Due to the Covid 19 pandemic and problems experienced due to the implementation of the new system, there were delays in implementing some key controls and the team is still recovering from this but has made progress on the new system.

The key findings are:

+

- HB and CTR can be processed by one officer with no involvement or checking by anyone else which is a key control risk. This recommendation was not accepted per response below - the risk will be partially mitigated by increased internal checks being implemented;
- Audits take place of transactions processed by benefits staff but these are limited by resource to two per user per week and could be increased.
- Restrictions and checks should be implemented to prevent staff processing claims linked to friends and family.
- Recovery of outstanding overpayments needs to be addressed
- Some of the recommendations previously made have not been demonstrated to have been implemented.

Fifteen recommendations were made, one was classified as high risk, six as medium risk, and eight as low risk. One recommendation was not accepted by management but satisfactory reasons were provided. The high and medium risk recommendations are reproduced below with the departmental responses which include the recommendation not accepted.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	All claims processed should at least be checked for evidence of entitlement of the applicant by another officer prior to approval and payment. Evidence of this should be held.	H	No	The Benefit Officer's role as a decision maker is to carry out this function. Given limited resources it would not be practical to operate in this way. The safeguards which exist are the audit checks, with random sampling carried out. Per 4.1.2 this will be further enhanced to provide additional control.		
4.1.2	Sample sizes for audit checks should be increased to check a larger proportion of the claims processed.	M	Yes	Sample sizes for audit checks will be increased to check a larger proportion of the claims processed.	Team leader, Benefits & discretionary payments	November 2022
4.5.1	Report references BBP315 and RBE240 listing the 52 week re-referrals should be scheduled to run every Monday morning for review and updating by the Senior Benefit Officer.	M	Yes	Report references BBP315 and RBE240 listing the 52 week re-referrals will be scheduled to run every Monday morning for review and updating by the Senior Benefit Officer.	Senior Revenues Officer	September 2022
4.6.1	Staff should be required to list friends and family who they are aware of having active claims for HB or CTR and should agree not to access, update or amend the claims.	M	Yes, in part	Staff are already signing an agreement on an annual basis that they will not process any changes on claims for themselves or friends or family members. The declaration they sign makes it clear that doing so leads to disciplinary action. Additionally staff will advise where they are unable to process due to friends/family relationship. Listing all friends/family is deemed impractical and could not be verified. Current controls deemed sufficient at this time.		
4.6.2	A restriction should be placed on any claims or properties to restrict staff from accessing the claims of their declared friends and family.	M	Yes	Staff already voluntarily advise where close friends/family accounts are held, with system restrictions in place. A restriction will be placed on any claims or properties to restrict staff from	Senior Revenues Officer	Nov 2022

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				accessing the claims of their declared friends and family.		
5.1.1	Consideration should be given to amalgamating outstanding overpayments on the NEC system to allow for a single source for control and monitoring of outstanding overpayments.	M	Yes	Overpayments will be amalgamated on the NEC system to allow for a single source for control and monitoring of outstanding overpayments.	Operations manager	March 2023
5.1.2	All outstanding overpayments should be invoiced to customers as appropriate.	M	Yes	All outstanding overpayments will be invoiced to customers as appropriate	Team leader, CDRT team	March 2023

3. MB/1165/FM Education Follow up Report

A full copy of this report and the response has been circulated to Audit and Scrutiny Committee Members.

A total of 9 recommendations were made in the reports being followed up, two recommendations had not been fully implemented, both of which were classified as low risk. Subsequent discussions with Human Resources following the issue of the follow up report established that one of the recommendations was no longer applicable for implementation and HR guidance was updated to reflect this change. The other recommendation was accepted by management.

4. MB/1166/NS Environment Follow up Report

A full copy of this report and the responses has been circulated to Audit and Scrutiny Committee Members.

A total of 35 recommendations were made in the reports being followed up. The majority of the recommendations followed-up have been fully implemented, although several remain outstanding and are included again in this report. It is noted that a number of the recommendations could not be fully implemented due to Covid restrictions and as a result are re-made to allow appropriate follow up testing of implementation to be carried out in future. This was particularly apparent in the follow up of Parks and Other Outdoor Income as the restrictions severely curtailed the activities being carried out within the parks. The recommendations made as part of Procurement Red Flags have also been remade as there have been limited tenders carried out by departments which has resulted in no documentation being available to assess implementation of the recommendations against.

In total 11 remain recommendations remain outstanding.

All recommendations were accepted by management apart from one relating to separation of duties between writing and evaluating tender documents. The department did not accept this recommendation in the original report on the basis that the vast majority of projects carried out by PATS require specialist knowledge. The department commented that they do not have sufficient resources to comply with this recommendations. Further, those who write the tender specification are normally involved from inception to completion and are most familiar with the technical requirements of the project being tendered and whether the response is compliant. All tenders still require at least two evaluators.

5. MB/1167/NS Clyde Valley Contract Group

This is a 25 year contract which is still in its early stages and as such had not been reviewed previously by Internal Audit. A review was carried out of the payment mechanisms in place and the accuracy of these. Invoices covering the three main elements (ancillary waste, main tonnage and Non domestic rates) were sampled.

In each case the amounts showing on the invoice were agreed to supporting documentation held by Neighbourhood Services with only very minor variances noted.

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Waste charges are based on the tonnage collected and there are two levels of charges with a higher price per tonne being applied up to 11,000 tonnes and a lower rate thereafter. Evidence was obtained during the audit showing monitoring of the total tonnage to ensure the reduced rate is applied at the correct point during the year. Indexation calculations applied to the gate fee were also checked.

The invoice amounts for NNDR were agreed to the payment mechanism formula and NDR bills provided by North Lanarkshire Council and the percentage being applied to this could be agreed to the Finance Briefing Note dated December 2018.

Overall, no weaknesses were found and it appears that adequate monitoring arrangements have been put in place to ensure invoice amounts are accurate, therefore no recommendations are made.

6. MB/1169/NS Stores

The audit covered the following key control areas to ensure:

- Stores are physically secure
- Individual stock require to be held and are maintained at appropriate levels
- All the movements are correctly recorded in the stock and accounting systems
- Stock items are correctly priced
- Appropriate monitoring of stock if carried out to identify obsolete and slow moving items

It was noted that the store is generally operating satisfactorily with controls in place to ensure all store transactions are being accurately recorded and appropriate segregation of duties in place preventing one person from being able to carry out the entire process of stock ordering through to issuing items.

Two full stocktakes are carried out throughout the year to ensure that the items held and stock systems are accurate and a full audit trail is available to demonstrate this.

It was noted that there is still no comprehensive store manual in place documenting the role of the storemen. The lack of the manual is compensated by the fact that the main storeman has years of experience in this area but in the event of a long term absence and no manual there is a risk of duties not being undertaken.

Five recommendations were made, one was classified as high risk, one as medium risk, and three as low risk. All recommendations were accepted by management. The high and medium risk recommendations are reproduced below with the departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	A stores manual, detailing the operation and management of the store as well as the responsibilities of the individuals working within the store, should be compiled and issued to all relevant employees.	High	Yes	Repairs Delivery Manager will work with the Operational Support Officer to do this.	Suzanne Conlin	1/4/2023
4.2.1	The stock checks on the outstanding imprest vans should be completed as soon as possible and evidence retained of the checks carried out.	Medium	Yes	The Operational Support Officer is currently working on this.	Suzanne Conlin	30/11/2022

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7. MB/1175/EL Follow up of ICT audits

A full copy of this report and the responses has been circulated to Audit and Scrutiny Committee Members.

A total of 19 recommendations were made in the reports being followed up. A further two points with no recommendation were also followed up. Ten recommendations followed-up remain outstanding and are included again in this report. It is clear that a lot of work has taken place within departments to comply with the recommendations, the legislation and council policies, but many of the points raised continue to be work in progress and are included again in this report. It was noted that the reason for the recommendations remaining outstanding was mainly due to the large scale involvement of the DPA/GDPR audit and Covid restrictions placing additional pressures on departments which resulted in resources not being available to meet the original timescales set.

Monitoring of training provided to staff in relation to data protection needs to improve significantly to be able to demonstrate that the Council's data protection governance responsibilities are being met.

All recommendations were accepted by management for implementation.

Risk Ratings for Recommendations	
High	<ul style="list-style-type: none"> • Key controls absent, not being operated as designed or could be improved and could impact on the organisation as a whole. • Corrective action must be taken and should start immediately.
Medium	<ul style="list-style-type: none"> • There are areas of control weakness which may be individually significant controls but unlikely to affect the organisation as a whole. • Corrective action should be taken within a reasonable timescale.
Low	<ul style="list-style-type: none"> • Area is generally well controlled or minor control improvements needed. • Lower level controls absent, not being operated as designed or could be improved

EAST RENFREWSHIRE COUNCIL
Internal Audit Section

QUARTERLY PERFORMANCE INDICATORS

<u>Internal Audit Indicators reported Quarterly</u>	Target (where applicable)	Quarter 2 Actual 2022/23	Quarter 2 Cumulative 2022/23
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	78%	77%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	1	4
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	0.6%	4.3%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter. (Note 3)	-	7	9
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	15.3 wks	13.5 wks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	9.3 days	7.7 days

Notes

1. Average weeks calculated as working days divided by 5.
2. Working days excludes weekends, public holidays, annual leave and sickness absence.

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

10 November 2022

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT – SCOTLAND'S FINANCIAL
RESPONSE TO COVID-19

PURPOSE OF REPORT

1. To provide information on the Audit Scotland report *Scotland's Financial Response to COVID-19*.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

BACKGROUND

3. A copy of the Audit Scotland report [Scotland's Financial Response to COVID-19](#), published in June 2022, has already been circulated to all Audit and Scrutiny Committee Members. Under the committee's specialisation arrangements, the Member leading the review of this particular report is Councillor Morrison.

4. A range of reports submitted to the committee have focussed specifically on COVID-19 related issues. For example, in January 2022, a report on the [Impact of COVID-19 on Scottish Councils' Benefit Services](#) was considered following the publication by Audit Scotland of a report on this issue. Various other reports the committee has considered have referred to COVID-19 related issues in part, and the most recent update submitted to the full Council on [COVID-19 Recovery](#), commenting on response, recovery and renewal work taking place across the Council and the East Renfrewshire Culture and Leisure Trust, was considered by the full Council in June 2022. As considered appropriate, such reports have commented on a range of financial issues.

5. Given the nature of the Audit Scotland report on *Scotland's Financial Response to COVID-19*, members of the Corporate Management Team have provided comments on various aspects of the report. The comments, which have been collated, are attached to this report (see Appendix A).

RECOMMENDATIONS

6. It is recommended that the committee considers the report.

Local Government Access to Information Act 1985

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Background Papers:-

1. Audit Scotland report [Scotland's Financial Response to COVID-19](#)

**COMMENTS ON EXTERNAL AUDIT REPORT ON
SCOTLAND'S FINANCIAL RESPONSE TO COVID-19**

Prepared by Clerk in Liaison with Corporate Management Team

INTRODUCTION

1. This report collates comments provided by the Corporate Management Team and other senior officers on the Council's position on issues raised in the report published by Audit Scotland in June 2022 on [Scotland's Financial Response to COVID-19](#).

REPORT ON SCOTLAND'S FINANCIAL RESPONSE TO COVID-19

2. The report highlights that COVID-19 is the biggest fiscal and policy challenge faced by the Scottish Government, councils and other public bodies since devolution. It comments on various related issues, including its wide-reaching and unequal effect on Scottish society; its unprecedented and ongoing impact on public finances; and how staff across the public sector have worked hard for over two years to respond to and minimise the impact of the pandemic. It comments that, although the emergency phase has passed, such public bodies continue to direct public spending to respond to the pandemic, whilst developing and implementing plans for funding recovery. The report highlights that the impact on public finances will continue for many years, making reference to all Auditor General and Accounts Commission work relating to COVID-19 and public finances more generally, which can be found on the Audit Scotland [COVID-19 e-Hub](#).

3. The main body of the Audit Scotland report comprises three sections as follows:-

- Deciding the public financial response
- Managing the overall financial implications
- Managing the COVID-19 public spending programme

4. As well as outlining the fiscal context within which the Scottish Government, councils and public bodies have operated since March 2020, a high-level analysis of their financial response to the pandemic is provided. It draws on evidence gathered from across the public sector and previous Accounts Commission and Auditor General reports, published at various points throughout the pandemic, to make judgements about the overall financial response.

5. A range of key facts and six key messages, for the Scottish Government and other bodies, are itemised at the start of the report. Various recommendations are made, some of which are directed at the Scottish Government relating to improving the transparency of public finances to support scrutiny of COVID-19 funding and spending measures; reviewing financial decision-making processes during the pandemic; and reviewing and collating completed financial framework forms.

6. The remaining recommendations, listed on Pages 6 and 7 of the report, are that the Scottish Government, councils, NHS boards and integration authorities should:-

- Improve the transparency of public finances to support scrutiny of COVID-19 funding and spending measures by:-
 - collecting, drawing together and analysing COVID-19 funds data to establish how much money was spent, where, and how quickly it was issued and received;

- reporting through their accounts and management information how COVID-19 funding held in reserves has been spent, and the extent to which COVID -19 funded spending commitments will exist in future years; and
- reviewing their medium-term and longer-term financial plans to reflect the ongoing impact and financial consequences of the pandemic, which should include the longer-term impact on resources and potential costs of continuing to support citizens and restore lost income.
- Continue to monitor and report on fraud and error arising from COVID-19 business support payments to ensure that processes are working in practice, funds are allocated correctly, and steps are taken to recover funds paid in error; and
- Work together to learn lessons from the financial response to the pandemic by:-
 - collecting and sharing findings from their response, including financial information to demonstrate the impact the spending has had and to allow others to benefit from good practice;
 - considering what systems should be in place to enable consistent spending information to be collected while minimising the administrative burden;
 - collectively understanding the ongoing challenges and longer-lasting impacts of the pandemic which will allow them to work together to recover;
 - developing robust processes which will improve the public sector response to future crises or other cross-cutting issues, such as climate change and child poverty; and
 - evaluating whether COVID-19 spending delivered the desired outcomes.

BACKGROUND

7. Since the start of the pandemic, various reports have been submitted to the Council and its committees on COVID-19 issues, financial and otherwise. The most recent general update on work being carried out across the Council was considered by the full Council in [June 2022](#). It should be read in the context of previous update reports presented to the [Emergencies Committee in May 2020](#), and the full Council in [June 2020](#), [October 2020](#), [December 2020](#), [June 2021](#), [September 2021](#) and [October 2021](#).

8. The Audit and Scrutiny Committee has been amongst those to receive various reports commenting on COVID-19 issues, sometimes in part, including in June this year when a report on the [Audit Scotland Local Government in Scotland Financial Overview 2020/21](#) was considered, and subsequently in September when reports such as on the [Audit Scotland Local Government in Scotland Overview 2022](#) and [Managing the Risk of Fraud and Corruption](#) were amongst those discussed. At that meeting, the committee noted that the submission of this report would allow potential fraud related issues on COVID-19 grants to be revisited.

9. Focussing primarily on issues of relevance to local government, the following sections of this report provide comments on various matters referred to in the national External Audit report on [Scotland's Financial Response to COVID-19](#).

DECIDING THE PUBLIC FINANCIAL RESPONSE

Streamlining of Governance Arrangements

10. The report comments that both the Scottish Government and councils streamlined their governance arrangements to help respond more quickly to the crisis, referring to Paragraph 22 of the Audit Scotland report on the [Local Government in Scotland Overview 2021](#) which found that councils made swift changes to these at the start of the pandemic, with some suspending meetings and others creating specific COVID-19 related committees. The report also reflects that, since then, councils have continued to adapt and now offer both online and hybrid meetings.

11. Regarding the local position, when lockdown commenced in March 2020, formal meetings were suspended for around 3 months. Delegated powers to officers were extended on a temporary basis and an Emergences Committee established to take decisions on those matters where political input was required and where it was inappropriate for officers to use the extended temporary powers. The committee, membership of which comprised the Leader and Deputy Leader of the Administration and the Leader of the Opposition Group, met virtually.

12. From June 2020 onwards, virtual meetings of the Council, Cabinet and other committees and bodies were convened using Teams following significant and essential investment in IT equipment for both officers and Members. Providing support for such meetings on a real time basis, and the formulation and ongoing development of related guidance, required additional resources to be deployed to ensure they ran smoothly, placing additional demands on the Democratic Services Team and others. More recently, since the 2022 Local Government Elections, a hybrid meeting model has been adopted. Although many more meetings are now attended in person, provision continues to be made to enable some participants to attend remotely if required. This continues to create challenges and place further demands on Democratic Services.

Change Required in the Way Public Bodies Engaged with Stakeholders

13. Paragraph 27 of the report highlights that not only the Scottish Government, but also other public bodies, had to change how they engaged with their stakeholders, building on existing relationships and developing new ones. It is commented that the Scottish Council for Voluntary Organisations (SCVO) worked closely with officers and Ministers to deliver the Wellbeing Fund, developed in partnership with Scotland's 32 third sector interfaces.

14. Locally therefore this was passed through Voluntary Action East Renfrewshire (VAER), rather than the Council. However, the Council did have some high level discussions on the Wellbeing Fund with VAER through the Crisis Resilience Management Team's Humanitarian Assistance work stream, chaired by the then Head of Communities, Revenues and Change (now Director of Business Operations and Partnerships). VAER was a key partner in all of the Humanitarian Assistance work undertaken, as was the East Renfrewshire Culture and Leisure Trust and various services across the Council.

15. Reference is also made in the same part of the report to a lack of consultation with stakeholders on parts of the Supporting Communities Fund. From the Council's perspective, the national to local funding arrangements around COVID-19 created a fragmented and complex landscape. For example, many funds were made available at short notice with emerging guidance and short lead-in times, putting pressure on local authorities to deliver. Furthermore, various inconsistent reporting regimes developed ranging, on the Humanitarian side, from weekly returns on shielding and then isolation support; to monthly returns on the Food Fund and interviews with Scottish Government; and latterly the provision of more flexible funding which could be used within broad guideline parameters, for which there were no

reporting requirements. Each of these funds also had different timescales associated with them, some of which changed further over time. For example, the initial direction on some of these required expenditure to be incurred within a specific period of time or a financial year, but subsequently extensions were offered or in some cases mandated.

16. All of this has been both time-consuming and complicated to administer and track, resulting in significant additional workload for Council officers, including a significant managerial overhead at senior levels for which the administration fees provided have not compensated the Council sufficiently.

MANAGING THE OVERALL FINANCIAL IMPLICATIONS

Scottish Government Management of Overall Budget and Related Transparency and Scrutiny

17. Regarding transparency and scrutiny during high levels of change, the report recognises a key theme, this being the Scottish Government's increasing difficulty in determining what is, and is not, COVID spending as various economic pressures are now coinciding (see Paragraphs 46-48 of Audit Scotland report). The same problems are impacting on the Council as many issues have arisen as a result of a combination of COVID-19, Brexit and the war in Ukraine. This type of issue is illustrated well in Education with additional funding for teachers and support staff to address the impact of COVID-19 overlapping with Pupil Equity Funding and the refreshed Scottish Attainment Challenge funding. Over and above this, school core budgets have been used to address the impact of the pandemic. Whilst transparency over spending and budget management processes will remain vital as the Audit Scotland report reflects, it will be increasingly difficult to separate the impact of various individual sources of funding.

18. With no further COVID specific funding expected from the Scottish Government, Accountancy staff scrutinise all proposed draws on the Council's remaining COVID grant reserve to ensure that these relate specifically to the pandemic and are accounted for separately as COVID costs.

19. Many of the 300 plus Scottish Government spending announcements and budget revisions since March 2020 impacted on local government. Reflecting comments made above, various reports submitted to the Council have highlighted the resulting additional workload for Council staff in delivering the required pandemic responses, and in accounting separately for these income streams. Much of this additional workload is still on-going.

Scottish Government Direction of Funding to Partners with Existing Systems and Local Knowledge to Deliver Funds

20. Paragraph 52 of the report explains that much of the COVID-19 budget was allocated to financially support schemes intended to quickly tackle the four harms of the pandemic (direct health, indirect health, societal and economic) which informed its decisions, including those with financial implications; and that these new funds needed to be developed and distributed quickly. The Scottish Government relied on partners, including the NHS, councils and charities, it considered best placed to manage delivery.

21. Reference is made in the report to Personal Protection Equipment (PPE). Regarding procurement of PPE, global demand for it was at unprecedented levels, with several countries placing export bans on the sale of certain items. The Council's Procurement Unit proactively led a dedicated PPE sourcing team and worked across the Council to forecast demand, source key products and stockpile, to allow key frontline services to continue. Work included ensuring

adequate contingency and preparedness for immediate response, whilst working closely with our suppliers and key partners, such as the Scottish Government, Scotland Excel, SOLACE Scotland, the NHS, the National Support Service (NSS) and COSLA.

22. Councils played an important role in delivering grants on behalf of the Scottish Government, putting a significant strain on their resources. £3.9b of business support funding was managed through local government which already had details of businesses through Non-Domestic Rates (NDR) databases and staff experienced in providing grant funding. In East Renfrewshire, over 3,500 unique COVID related grant applications were received and nearly 6,000 payments were made, between 2020 and 2022, from more than £30m passed to the council from the Scottish Government to administer on an “agency” basis.

23. Charities were responsible for distributing more than £115m of the Scottish Government’s £350m Supporting Communities Fund through their existing networks, with the Accounts Commission and Auditor General’s Community empowerment [COVID-19 update](#) reporting that the voluntary sector was vital in supporting people through the pandemic with existing strong relationships allowing for a faster response. As referred to previously, VAER, in their role as third sector interface in East Renfrewshire, have been and continue to be a key partner, working closely with the Council to assess, co-ordinate and deliver on local needs arising from the pandemic. VAER was involved on a daily basis with the Council in the initial phases of the response, following which meetings were held weekly.

24. VAER is now working closely with the Council to develop options to help local communities with cost of living pressures and ongoing COVID recovery. As agreed by Cabinet in [June 2021](#) VAER also supports the Council in the delivery of its participatory budgeting process.

Scottish Government Reliance on Established Systems – Detection and Prevention of Fraud

25. Paragraphs 54 and 55 of the Audit Scotland report refer to the reliance placed by the Scottish Government on established systems, such as within councils, to detect and prevent fraud within its business support schemes. From an East Renfrewshire perspective, Internal Audit supported Economic Development when they set up the new end to end Business Grant processes. The expertise of the Accounts Payables team was also used to build in financial controls to mitigate against fraud.

26. From a national perspective, these business grants were part of the National Fraud Initiative (NFI) 2021 activity, on which a report was submitted to the committee in September, through which only one fraud/error was found in Scotland, the value of which was £25k.

27. Members of the committee have expressed interest in various fraud related issues linked to COVID grants. Within East Renfrewshire, 4 instances of potential fraud or error were detected in the administration of COVID premises grants/payments made under the Scottish Strategic Framework Fund, with payments made in only 2 of these cases totalling £35k. No problems with the applications were found during the normal assessment and separate verification processes. All cases were reported to the Police.

28. In both of the financial years concerned, Internal Audit work was undertaken, which included looking at a random sample of data. Internal Audit was satisfied with the due diligence applied, the only recommendation made being that the systems should have been computerised, to avoid extra and unnecessary keying errors and better and more efficient reporting.

29. Regarding measures taken to prevent any further such instances occurring, assessment and verification staff were briefed on the incidents and how easily the applications could be taken as a true record. Staff were advised to scrutinise bank statements thoroughly, including to check transactions did not feature many large cash withdrawals and appeared appropriate to the organisations concerned. Staff were also briefed on and asked to use National Fraud Network bulletins.

30. The Health and Social Care Partnership (HSPC) set up a sustainability panel approach to support the process for reviewing sustainability claims, which includes seeking supporting evidence of costs. Sustainability claims from care providers are cross referenced with business support grants.

Business Failure Arising from Late Payment of Grants

31. Members of the committee have expressed interest in seeking clarification on whether or not any businesses failed due to grants being paid late. To the best of the Economic Development Team's knowledge, there were no such instances. Most applications were processed within the required Scottish Government completion timeframe. Where this was not the case, in the main, this was because relevant evidence requested had not been supplied with the original application, or because further clarification needed to be sought.

Issues Identified Regarding Other Systems and Future Working Practices

32. Clarification has also been requested by Members of the committee on whether or not, as the grants scheme was administered, any weaknesses or shortcomings were identified in other systems, such as the database of properties for NDRs. That database was supplied through Renfrewshire Council as a spreadsheet not live data, which caused some issues in checking updated reports. Added factors due to COVID-19 were that NDR records were not being updated and Scottish Assessors were not carrying out rates assessments. The grants process also highlighted that tenants and owners of some properties had changed and not provided updated details to the Scottish Assessors or NDR teams. As eligibility to some grants was subject to being on the NDR register, this caused some payment delays. In some cases, extra costs had to be incurred by businesses to provide required documents, and get leases signed and lodged with the NDR team.

33. Due to the fact the Accounts Payable Team did not have a way to link their payment data to the Economic Development Team log sheets, further manual entry activity was required. As others did also, the Team work extremely hard and frontline staff involved were extremely helpful in resolving issues as quickly as they could.

34. Members of the committee have also expressed interest in whether or not working practices or procedures would change in future, if grants had to be paid in high volumes. The Economic Development Team has commented that having a fully integrated online application form, linked to a database and creating an automatic log, would reduce keying errors and application processing times. Potentially, payments could also be linked to this and Scottish Government returns could be generated without the need for manual extraction of data from changing spreadsheets, introducing further efficiencies.

35. Following the work done on the 2022 grants, the Scottish Government did produce a centralised system that fed data to local authority systems allowing checking to be done, decisions and payments to be made, and reports to be produced by the Scottish Government from the central repository of the data. The platform used was Object Connects. If Scottish Government and HMRC reports were done in the one format and as the information is kept centrally, data would be live and up to date and easily accessible for Government departments.

MANAGING COVID-19 PUBLIC SPENDING PROGRAMME

36. Recommendation 2 of the Audit Scotland report states that the Scottish Government, councils, NHS Boards and integration authorities should improve the transparency of public finances to support scrutiny of COVID-19 funding measures by collecting, drawing together and analysing COVID-19 funds data to establish how much money was spent, where, and how quickly it was issued and received.

Funding Allocated to Councils and Related Information, Tracking and Reporting

37. Regarding the tracking of COVID funding announcements, in the first two years of the pandemic, around 100 separate announcements of Scottish Government funding were directed at councils. Much of this funding was allocated in February/March 2021, resulting in large increases in Councils' reserves at 31 March 2021.

38. East Renfrewshire Council received over £43m of COVID funding support from the Scottish Government in these two years. Much of this was ring-fenced for specific purposes, such as additional teaching or cleaning staff, and required regular reporting back to the Scottish Government. The Council continues to report to the Scottish Government on how the additional funding for teachers and support staff has been allocated and spent, including reporting details about how much has been spent for each staff group. Regular returns to Scottish Government were also required in relation to how the funding associated with the safe re-opening of schools, including ventilation, had been spent, with some of the additional monies contingent upon evidencing expenditure of the previous allocation.

39. However, some funding was also provided on a flexible basis for the Council to use to address local COVID pressures. As previously mentioned, any use of the Council's flexible COVID funding is recorded by Accountancy staff and linked specifically to COVID pressures. As at 31 March 2022, £14m of this funding remained to meet COVID pressures in 2022/23 and beyond. No further Scottish Government funding is expected.

40. In addition to the above funding for Council pressures, more than £30m was passed to the council on an "agency" basis, to be passed on to local businesses or residents in the form of grants in accordance with set conditions. These funds required to be accounted for separately from both normal and COVID Council funds, and this Scottish Government funding had to be reconciled with actual payments made locally.

41. A separate section has been added to the Management Commentary in the Council's Annual Accounts for the last two years, highlighting the operational and financial impacts of the COVID pandemic, to aid transparency.

42. It is acknowledged that the Scottish Government may wish to improve tracking of future spending initiatives, such as on climate change or tackling inequalities. The Council will use the experience of accounting for COVID, together with the coding capabilities of our financial system, to adapt to any future reporting requirements.

Tools used by Scottish Government and Councils, such as Reserves, to Smooth Covid-19 Funding Between Years

43. The Health and Social Care Partnership (HSCP) evidences COVID-19 spending through an agreed Scottish Government process, the Local Mobilisation Plan, via its partner NHS Greater Glasgow and Clyde. In line with the national position, any funding received, but not yet applied, is held in a ring-fenced reserve. This funding can only be utilised against set criteria, and the Scottish Government has advised that any unused funding will be reclaimed for redistribution for COVID-19 pressures nationally.

44. The HSCP also reports its spending and reserves position to the Integration Joint Board as part of its routine financial reporting and as part of its Annual Report and Accounts.

Understanding How COVID-19 Spending, Working Alongside Ongoing Spending Commitments, is Critical to Financial Sustainability

45. In relation to ongoing spending commitments, as the Council continues its recovery from the pandemic and remaining COVID reserves are exhausted, any lasting COVID impacts will have to be addressed together with other economic and policy pressures and funded from mainstream resources. The remaining COVID funding and ongoing pandemic pressures are therefore being factored into the Council's medium term financial planning and its current three year budget preparation. This will be a significant challenge in view of the present inflationary pressures and the prospect of flat cash settlements for the next three years. Councils will therefore be required to make difficult decisions on spending priorities.

46. COVID-19 funding is still being received across all 6 HSCPs within NHS Greater Glasgow and Clyde to support the Mental Health Assessment Unit. Any post COVID-19 support funding on a recurring basis has not yet been confirmed. In order to continue this service, other Mental Health funding may need to be reprioritised.

47. The HSCP has a pre-pandemic legacy saving challenge of £2.6m. The Scottish Government support received through COVID-19 funding in 2020/21 and 2021/22 allowed the HSCP to, not only set up new services in response to the situation, but also continue to deliver full support to the residents of East Renfrewshire.

48. The funding support for unachieved savings has not continued into 2022/23 and this, combined with the increased demand for services and complexity of need, leave the HSCP in a very challenging position. The Scottish Government funding for winter support in 2021/22 has mitigated pressure to some degree for increased demand. It is still too early to fully understand the impact of the pandemic on our population and service demand, which in turn makes forward planning problematic. However it is very difficult to see how the legacy savings and new cost pressures that will result from a flat cash budget, exacerbated by inflation and other economic factors, will allow the HSCP to be financially sustainable.

49. The Audit Scotland report highlights the need for funding to continue to take account of some of the additional commitments that have now been included. For example, regarding the Education Service, funding for additional teachers and support staff is welcome, however, there is concern that future local authority funding needs to reflect the full costs associated with these staff, including any inflationary increases. This also needs to include the costs for local authorities of administering additional funds, such as free bus travel or school meal payments during the holidays.

Evaluation by Scottish Government of its Overall Financial Response to the Pandemic, Including Collection of the Necessary Information

50. The Audit Scotland report refers to the importance of the Scottish Government evaluating its overall financial response to the pandemic, including the collection of necessary information, commenting that there has been some evaluation of individual COVID-19 spending programmes. It is specifically recommended that the Scottish Government, councils, NHS Boards and Integration Authorities should work together to learn lessons from the financial response to the pandemic by collecting and sharing findings from their response, including financial information to demonstrate the impact the spending has had and to allow others to benefit from good practice.

51. The Council has undertaken research and analysis on the impact of the pandemic designed to inform the broader recovery strategy. The Council commissioned humanitarian research to understand the impact of the pandemic on local communities (see [Covid-19 Impact Report](#)), details of which were referred to in a report on [Strategic Planning](#) submitted to the Council in March 2022. As highlighted in that report, the outcomes of that research will be used to develop the Council's strategic plans, including our 10 year 'Vision for the Future'. Furthermore, in September 2022, a meeting was convened with Community Planning partners to take forward discussions about our shared strategic priorities for East Renfrewshire.

52. Regarding the evaluation of some individual spending programmes and related information gathered and reviewed, reference has already been made to the monthly returns prepared and submitted to the Scottish Government on the Food Fund, and the Council's involvement in several interviews with representatives of the Scottish Government on the use of the Fund locally. The position regarding the Wellbeing Fund is similar. Reports on the [COVID-19 Humanitarian Support Funds 2021/22](#) and [COVID-19 Humanitarian Support Community Funding](#) were the subject of reports to the Cabinet on 3 June and 25 November 2021 respectively.

53. Further in relation to work undertaken to consider the impact of the pandemic on residents, evaluation of the response, support provided and regular reporting to the Council on the response and impact of the additional spending or resources, in Education this has included the following evidence being shared with Elected Members:

- Standards and Quality Report for 2019-20 and 2020-21
- National Improvement Framework – Progress report with Priorities 2020-21
- Report on Quality of Remote Learning – March 2021

54. External scrutiny on the response to COVID-19 by local authorities has also been undertaken in some areas by Education Scotland. This has included the sharing of good practice. For example, Education Scotland have inspected local authorities in relation to effective remote learning, and undertaken visits to establish effective practice to support recovery as reflected in the reports itemised below:-

- [National Overview of Practice Reports](#)
- [What Scotland Learned Building Back Better](#)
- [Local Approaches to Recovery](#)

55. East Renfrewshire has also sought to learn from others, participating in a Collaborative Improvement model with the aim of improving attainment and experiences in numeracy and mathematics. The [report](#) on this issue was shared with the Education Committee in June 2022.

56. It should be noted that Audit Scotland also published a [report](#) and recommendations during the pandemic based on the audit they had carried out on how the Scottish Government, councils and partners were improving outcomes for young people through school education. The Scottish Government has responded to this along with the two international reviews carried out during the pandemic by the Organisation for Economic Co-operation and Development (OECD) on Scottish Education and the Muir Review which was published in 2022.

57. As such, in an education context, a significant amount of work has been carried out to evaluate the impact of COVID-19, including the financial response. It is important that in seeking to deliver the recommendation made on this, that a coherent and coordinated approach is undertaken by Scottish Government and the wider system e.g. Education Scotland.

RECOMMENDATON

58. It is recommended that the committee considers the report collating comments provided by the Corporate Management Team and other senior officers on the Council's position on issues raised in the report published by Audit Scotland in June 2022 on [Scotland's Financial Response to COVID-19](#).