

MINUTE
of
AUDIT and SCRUTINY COMMITTEE

Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 11 May 2023.

Present:

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

Councillor Annette Ireland
Councillor Gordon Wallace

(*) indicates remote attendance.

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Alison Ballingall, Senior Revenues Manager; Michelle Blair, Chief Auditor; Linda Hutchison, Clerk to the Committee; Colin Wright, Committee Services Officer; and Liona Allison, Assistant Committee Services Officer.

Also Attending:

Grace Scanlon, Ernst and Young(*).

Apologies:

Provost Mary Montague and Councillor David Macdonald.

DECLARATIONS OF INTEREST

448. There were no declarations of interest intimated.

CHAIR'S REPORT – WHISTLEBLOWING ARRANGEMENTS ETC.

449. Under reference to the Minute of the meeting of 29 September 2022 (Page 206, Item 159 refers), when a number of fraud related matters had been considered and it had been agreed to pursue publicity regarding the Council's whistleblowing arrangements, which was in line with one of the Committee's self-evaluation recommendations and would help raise the Committee's profile, Councillor Morrison reported that, with the assistance of the Communications Team, a News article had recently been published on the intranet to highlight these, as well as the Anti-Fraud, Bribery and Theft Strategy and Anti-Money Laundering Policy, which were all in place to protect the Council against malpractice through fraud and corrupt practice. As the article reflected, it was considered more important than ever that employees remained vigilant to the Council's policies and ensured these were followed at all times to avoid any issues of non-compliance arising.

The Committee noted the report.

CONSULTANCY EXPENDITURE AND RELATED LOG

450. Under reference to the Minute of the meeting of 23 June 2022 (Page 62, Item 38 refers), when the Committee had noted a report on the log maintained regarding the appointment of consultants for the 2021/22 financial year and that further such reports would be submitted after the end of each financial year, the Committee considered a report by the Clerk referring to discussions by the Committee thus far on such expenditure, and providing feedback on consultancy expenditure for the 2022/23 financial year. A copy of the log was appended to the report, which was also published on the corporate procurement section of the Council's website.

Councillor Morrison, supported by Councillor Ireland, proposed that for further ease of review it be requested that the log be modified slightly in future to confirm both the total annual cost and total annual net cost of consultancy to the Council.

During further discussion, Councillor Ireland sought clarification if any consultancy costs listed in the log for Eastwood Leisure Centre might require to be repeated as the project had been delayed. The Head of Accountancy (Chief Financial Officer) intimated that information on this would require to be sought from the Property and Technical Services section.

Also in response to Councillor Ireland, the Head of Accountancy (Chief Financial Officer) stated that she thought a report on the retention of either the Council Headquarters building or the Office at Speirsbridge for office accommodation would be considered by the Cabinet shortly, but that the exact timeframe for this needed to be confirmed.

Further discussion took place on the threshold of £10,000 set for allowing directors to appoint consultants and whether there were instances in 2022/23 of consultancy costs for the same work being broken down, resulting in the cost of each element falling under threshold. The Head of Accountancy (Chief Financial Officer) undertook to seek clarification on this from departments.

The Committee agreed:-

- (a) that the Head of Accountancy (Chief Financial Officer), in liaison with Property and Technical Services, seek and provide further clarification to the Clerk, for circulation to Members of the Committee, on whether or not any consultancy costs listed in the log for Eastwood Leisure Centre might require to be repeated;
- (b) that the Head of Accountancy (Chief Financial Officer) confirm the timeframe for submitting the next report to Cabinet on the retention of the Council Headquarters building or the Office at Speirsbridge for office accommodation to the Clerk for circulation to Members of the Committee;
- (c) that the Head of Accountancy (Chief Financial Officer) seek and provide further clarification to the Clerk, for circulation to Members of the Committee, on whether or not there were any instances in 2022/23 of consultancy costs for the same work being broken down by departments resulting in the costs of each element being under the £10,000 threshold for approval by directors;
- (d) for further ease of review, to request that the Consultancy Log be modified slightly in future to confirm the total annual cost and total annual net cost of consultancy to the Council; and

- (e) otherwise, to note that the next report on such expenditure would be submitted to the Committee after the end of the 2023/24 financial year.

NATIONAL EXTERNAL AUDIT REPORT - RESOURCING THE BENEFIT SERVICE

451. The Committee considered a report by the Clerk on the publication in February 2023 of a report by the Accounts Commission entitled *Resourcing the Benefit Service – A Thematic Study*, regarding which, under the Committee’s specialisation arrangements, Councillor Macdonald was leading the review of this report. The Director of Business Operations and Partnerships had been asked to provide comments and a copy of her feedback was appended to the report.

High level comments were provided on the Council’s position on issues raised in the Audit Scotland report, including the recommendations made. It was recognised that there had been many changes to the Council’s benefits services, with the remit of this service having expanded to carry out further financial assessments. The report commented on the significant increases in workload since 2020/21 due to the COVID-19 pandemic and cost of living crisis. In addition, the implementation of the new Council Tax and Benefits System had had a substantial impact on performance during 2020/21 and 2021/22, with the issues involved now resolved and processing times having improved.

It was highlighted that the cost of living crisis was continuing to impact on residents, with mitigation and support being provided wherever possible. The new ICT system was providing a platform to drive modernisation, automation, process improvement and change, allowing the Council’s Benefits teams to continue to deliver improved performance and meet customers’ expectations.

During discussion on processing times reported for new Housing Benefit/Council Tax Reduction claims and whether or not the Council’s ranking of 32nd in Scotland was up to date, it was confirmed that the situation had changed considerably and that, as of 31 March 2023, the processing time was 20.8 days, which compared well to the UK average of 20 days. The time of 4.2 days, as at 31 March 2023, for processing changes of circumstances was considerably better than the UK average of 8 days.

It was confirmed that the unique, local issue that had resulted in the Council being placed 32nd in 2021/22 for processing both new claims and changes of circumstances had been the change in the system used to process claims, the related teething problems having now settled down. The Senior Revenues Manager confirmed that other factors linked to the wider economic situation, such as the cost of living crisis, had impacted on Housing Benefit overpayments recovery, confirming the extent to which improvements had been made on this.

Further in response to questions from Councillor Ireland on the number of posts not being filled to fulfil cost reduction targets, and the cost and terms of the external contract in place to provide increased resilience, the Senior Revenues Manager stated that information on the former should be available in due course. The resiliency contract was for a period of up to 2 years and had been approved as part of the Welfare Contingency Funding for an amount of up to £49,999.

The Committee noted the report and related comments made.

INTERNAL AUDIT PLAN PROGRESS REPORT 2022/23 – IMPLEMENTATION PROGRESS - JANUARY TO MARCH 2023

452. The Committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2022-23 Internal Audit Plan from 1 January to 31 March 2023. It

was confirmed that seven audit reports in relation to planned 2022-23 audit work had been completed in quarter 4, information on which was provided. Details of reports prepared as part of the 2022-23 Plan, on which responses had been received since the previous progress report had been submitted, were also provided.

Reference was made to the quarterly performance indicators (PIs) for the section. One new request for assistance had been dealt with using contingency time during the quarter which related to a loss of goods and cash totalling approximately £600 from council premises. A report had been issued detailing controls that needed to be improved to reduce the risk of future losses and the incident had been reported to Police Scotland.

The Chief Auditor referred to key aspects of the report, during which she referred to areas identified for improvement on ordering and certification. She also highlighted work carried out on a significant contract overspend on which, as recommended, a report had been submitted to the Cabinet earlier in the day. The Chief Auditor also commented on further work completed in relation to payroll on behalf of the Trust through which an issue regarding the incorrect calculation of national insurance had been identified affecting both the Trust and the Council on which a number of recommendations had been made, adding that some outstanding concerns on this remained which could be mentioned in the Internal Audit Annual Report, if not resolved before then.

Having referred to an unnecessary charge incurred by the Council at one stage linked to a nursery project for holding plant belonging to a contractor on Council land as a result of the pandemic, given the overspend in relation to the external wall insulation and roofing contract, Councillor Wallace asked if there was a need to be concerned regarding the procurement approach adopted regarding other contracts, and also expressed concern regarding the payroll issue identified. The Chief Auditor confirmed that further time had been set aside in the Internal Audit Plan for other work on contracts, that the full audit report on the wall insulation and roofing contract could be circulated to the Committee on request, and that further Internal Audit work on payroll would also be done during the current year. Councillor Morrison stressed the need for all payroll work to be completely correct.

During further discussion on the wall insulation and roofing contract and the importance of the underlying tender work being correct, such as in terms of quantities to ensure the best contractor was appointed, Elected Members were informed by the Head of Accountancy (Chief Financial Officer) that the matters raised at the Committee had also been aired and addressed at the Cabinet, including whether the Council could demonstrate that Best Value had been achieved. The Cabinet had been informed that an exercise had been completed comparing the East Renfrewshire contract with contracts of a similar nature in other Councils, the result having confirmed that Best Value had been demonstrated. In response to Councillor Morrison, the Chief Auditor confirmed that Scotland Excel had not been used for the contract under discussion, that one of the recommendations made had been to use Scotland Excel in future, and that although there had been benchmarking on the costs used per property that did not mean that the same contractor would have necessarily been awarded the contract in terms of the quantities involved.

Councillor Ireland, supported by Councillor Wallace, also expressed concern that it appeared that a robust approach had not been taken in this case when assurances had been given on other contracts when the budget was being discussed, citing examples of Internal Audit's findings. She asked what key items had been omitted from the tender documentation, for further clarification on the remedies being pursued, and if any other work was ongoing on procurement across the Housing Service.

Having undertaken to circulate the full report on the wall insulation and roofing contract in the interests of clarity, the Chief Auditor further intimated that she was unable to comment on any other contracts, but that Internal Audit would be looking at and reporting on further contracts in future.

During related discussion, Councillor Wallace, supported by Councillor Morrison, raised the possibility of the Committee considering the issues raised by the report more closely, welcoming the circulation of the Internal Audit report for detailed review in the first instance to inform the way forward, which could include asking the Chief Auditor to consider further work using time set aside in her Plan for Contingency. The Head of Accountancy (Chief Financial Officer) referred to comments made at the Cabinet meeting by the Head of Environment (Strategic Services) on improvements being made to procedures, factors that had contributed to what had happened such as regarding staffing, challenges recruiting officers such as quantity surveyors, and a backlog of work that had needed to be dealt with due to COVID-19 as well as other projects. The need to tighten up procedures had been accepted. In response to Councillor Morrison, the Chief Auditor referred to a general lack of financial monitoring regarding the contract. Whilst referring more generally to the loss of internal expertise through redundancies for example, the possible increased use of consultants instead in future, and staffing pressures faced internally, Councillor Wallace expressed the view that several issues could need to be explored further.

In response to Councillor Edlin who suggested it may be appropriate to call a special meeting of the Committee to address these issues, it was proposed that it would be more appropriate to review the detailed report at this stage and determine if any further action would be required thereafter. Councillor Morrison added that this would also allow members of the Committee time to review the proceedings at the Cabinet meeting earlier in the day.

Following further deliberations, the Committee agreed:-

- (a) that the Internal Audit report on the *Review of the External Wall Insulation and Roofing Contract* be sent to the Clerk for circulation to Members of the Committee for their review in the first instance with a view to them determining if any further action required to be taken on contract related issues raised within it;
- (b) further to (a) above, to note that time was already allocated within the 2023/24 Internal Audit Plan to consider some other contracts issues and also for contingency work if required; and
- (c) otherwise, to note the report and related comments made.

AUDIT AND SCRUTINY COMMITTEE 2022/23 AND 2023/24 WORK PLAN

453. Under reference to the Minute of the meeting of 19 January (Page 357, Item 288 refers), when it had been agreed that development and implementation of the 2022/23 Work Plan continue, and that a further report on performance against it be submitted to a future meeting, the Committee considered a report by the Clerk providing an update on the 2022/23 Work Plan and related performance, and seeking approval of the 2023/24 Work Plan to the extent it had been developed thus far. A copy of the updated 2021/22 Work Plan and proposed 2022/23 Plan formed Appendices 1 and 2 to the report.

It was confirmed that such Plans helped the Committee schedule and prioritise its work over the course of each year. The report explained that development of such Plans continued throughout the year, and included reference to recurring reports considered every year, such as on treasury management, Internal Audit work and risk management.

The Committee agreed:-

- (a) to note performance against the Committee's 2022/23 Annual Work Plan;

- (b) to approve the 2023/24 Annual Work Plan, to the extent it had been developed thus far;
- (c) that the development of the 2023/24 Work Plan continue, with an update to be submitted to a future meeting; and
- (d) to note that progress made delivering the 2023/24 Work Plan would be reviewed in due course, with a progress report submitted to a future meeting.

CHAIR