

**To:           Audit, Risk & Scrutiny Board**

**On:           28 August 2017**

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**Report by:   Director of Finance & Resources**

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**Heading:   AUDIT, RISK & SCRUTINY BOARD ANNUAL REPORT 2016/17**

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## **1       Summary**

- 1.1    The annual report highlights the issues considered by the Board during the period September 2016 to June 2017 when the former Audit, Scrutiny & Petitions Board met on four occasions and the new Audit, Risk & Scrutiny Board met once. The report is submitted to the Board in terms of the Council's Code of Corporate Governance.
  - 1.2    Scrutiny enables members to review decisions, policies and performance that affect the Council and helps to ensure that the services and policies meet the Council's aims and standards. The scrutiny process not only provides a means of reviewing the Council's own services but can also examine services provided by other organisations on issues causing public concern.
  - 1.3    At the statutory meeting of the Council on 18 May 2017 the Petitions function was removed from the remit of the Board and a separate Petitions Board was created. It was also agreed that the remaining remit of the Board would include wider oversight of risk and risk management in the Council and the Board would be renamed as the Audit, Risk and Scrutiny Board.
  - 1.4    During the course of the year members looked at many different subjects, including annual reports from other bodies and considered reports from the chief internal auditor.
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## **2       Recommendations**

- 2.1    That the Audit, Risk & Scrutiny Board report be noted.
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### 3 **Issues considered by the Board during 2016/17**

#### 3.1 **Annual Programme of Reviews**

- 3.1.1 The Board deals with its reviews by examining a subject through consideration of evidence from Council officers, other organisations and service users. Once all the evidence has been collected, the lead officer prepares a report on the Board's behalf outlining the Board's findings and recommendations and when approved by the Board the report is submitted to the Council for consideration.
- 3.1.2 During the period of this report the Board concluded its consideration of Ward 15 (Children's Ward) Royal Alexandra Hospital.
- 3.1.3 The former Audit, Scrutiny & Petitions Board agreed to undertake two investigations as part of its 2016/17 annual programme and also agreed a reserve item. These topics had been continued from the Board's 2015/16 annual programme. Neither of these two investigations started in 2016/17, and have been continued into this year's programme. The reserve item again did not start during the previous year's programme. However, it is proposed that the reserve item be subject of a report rather than a full investigation. The Annual Programme is the subject of a separate report on the agenda for this meeting.

#### 3.2 **Audit and Related Matters**

- (a) **Audit of Accounts** - The Board at its meeting held on 19 September 2016 considered a report relative to the audit of the Council's 2015/16 accounts. The report outlined Audit Scotland's findings and it was noted that in order to comply with the Local Authority Accounts (Scotland) Regulations 2014 that the audited financial statements would be presented to the Council for approval at its meeting on 29 September 2016.
- (b) **Annual Internal Audit Plan 2017/18** – The Board at its meeting held on 20 March 2017 agreed a risk-based Audit Plan for 2017/18. The plan took into account the outcomes of the internal corporate and service risk identification and evaluation processes, and the current business environment. In addition to undertaking work which would provide assurance on the robustness of key internal controls, the plan sought to reflect the key priorities and challenges for the Council. Progress on the 2017/18 Annual Audit Plan and summaries on the findings and conclusions of each audit assignment are reported to the Board on a quarterly basis.
- (c) **Audit Scotland Annual Audit Plan 2016/17** – The Board at its meeting held on 13 February 2017 considered a report which outlined Audit Scotland's approach to the audit of the 2016/17 financial statements of the Council and the charities it controlled in order to assess whether they provided a true and fair view of the financial position of the Council, and also whether they had been prepared in accordance with proper accounting practice. The plan outlined the responsibilities of Audit Scotland and the Council, their assessment of key challenges and risks and the approach and timetable for completion of the audit.

- (d) **Strategic and Corporate Risk Registers** – At the statutory meeting of the Council on 18 May 2017 the remit of the Board was expanded to include wider oversight of risk and risk management in the Council. As a consequence and in keeping with “Risk Matters”, the Council’s combined risk management policy and strategy, the Board at its meeting held on 5 June 2017 considered the Strategic and Corporate Risk Registers and Risk Management Plans 2017/18 for each service of the Council.

Each service identified risks for ongoing monitoring and review and identified planned management actions to prevent and/or mitigate those risks.

- (e) **Accounts Commission and Audit Scotland Reports** – during the period covered by this report, the Board considered reports concerning Benefits Performance Audit Annual Update 2015/16 and Housing Benefit Good Practice Guide; Social Work in Scotland; Local Government in Scotland – Financial Overview 2015/16; Local Government in Scotland – Performance and Challenges 2017; and Maintaining Scotland’s Roads. Each report highlighted key points and the Renfrewshire Council position where available.
- (f) **Annual Complaints 2014/15** – The Board at its meeting held on 13 February 2017 considered a report which detailed complaints received by the Council in 2015/16 and how this information had been used to ensure that the Council delivered high quality, efficient and responsive services. A summary was included of the numbers and types of complaints received, responded to within timescales, customer satisfaction monitoring and key complaint areas including what was being done to address issues raised. The Council had received 6860 complaints in 2015/16 and the report identified how the information provided in complaints was used to improve services.
- (g) **Internal Audit Charter** – The Board at its meeting held on 19 September 2016 considered a report which advised that the Charter had been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and had been revised in April 2016 to include the Mission of Internal Audit and the Core Principles for the Professional Practice of Internal Auditing. The new Charter reflected these revisions. In addition, the report intimated that the current review had identified that it would be beneficial to include a section detailing the arrangements for internal audit in the Council’s associate and other bodies. The appointment of the Chief Auditor as the Chief Internal Auditor for the Renfrewshire Health and Social Care Integration Joint Board and recognition that Internal Audit might undertake work for other organisations on a commercial basis, where this was in the interests of the Council, was also reflected.
- (h) **National Fraud Initiative in Scotland** – The Board at its meeting on 19 September 2017 considered a report relative to Audit Scotland’s report, published in June 2016, on the National Fraud Initiative (NFI) in Scotland. The NFI was a national data matching exercise carried out by Audit Scotland with the aim of identifying instances of possible fraud or error. The NFI 2014/15 involved 104 Scottish bodies across three sectors. The

initiative which was co-ordinated in this Council by internal audit, operated on a two-year cycle with the data being downloaded and electronically matched centrally one year and the results issued, investigated and reported in the next. In October 2014 data was downloaded from the Council's systems onto the NFI website and matched. The Council had to date identified housing benefit overpayments of £202,278 and had achieved the second highest level of outcomes from their 2014/15 NFI investigations. The report highlighted that Scottish public bodies had recorded outcomes of £16.8 million since the last NFI report in June 2014. The cumulative outcomes from the NFI in Scotland were now around £110.6 million and £1.39 billion across the UK.

- (i) **Senior Officers' Register of Interests** - The Board at its meeting on 28 November 2017 considered a report which intimated that the 2015/16 annual audit report to members and the Controller of Audit issued by Audit Scotland included a recommendation that information relating to senior officers' interests should be published on the Council website and the Council should consider extending the scope of the register to other staff by 30 June 2017. The report confirmed that information from the register of senior officers' interests had been published from 28 October 2016 on the Council's website. Renfrewshire was the only Council in Scotland that had published information on the interests of its senior officers. The report noted that a review would be undertaken of these arrangements ahead of the 30 June 2017 deadline to determine whether the requirement to register interests should be extended to other officers and whether further information should be included in the information published on the website.
- (j) **2015/16 Whole of Government Accounts (WGA)** – The Board at its meeting held on 13 February 2017 considered a report which intimated that the Council was required to submit for audit each year a WGA return based on the Council's annual accounts, which once audited was submitted to the Scottish Government and then to HM Treasury for consolidation in the UK-wide public sector accounts. Unfortunately, as a result of miscommunication between the audit team and the Council's corporate finance staff, there was a late submission of information to the Scottish Government which had resulted in a technical qualification of part of the overall Whole of Government Accounts (WGA) return submitted, solely due to its late receipt. Internal accounts completion timetables and procedures had been amended to ensure no recurrence of this issue.
- (k) **Local Scrutiny Plan 2017/18** – The Board at its meeting held on 5 June 2017 considered the Local Scrutiny Plan 2017/18, which was prepared each year by the Local Area Network. The conclusion at the end of this year's shared risk assessment was that no risks had been identified which required specific scrutiny. However, audit and inspection work would continue to take place and the Council would also be subject to a range of scrutiny that was part of national activity.

- (l) **Corporate Governance** – The Board at its meeting held on 20 March 2017 considered a report which detailed the annual review of the adequacy and effectiveness of the Council's local code of corporate governance. The report intimated that based on internal audit's sample check of the evidence used to demonstrate compliance, the Council complied with the requirements of the local code. In addition, the report intimated that it was evident that the local code had been subject to review and updating in line with developments and best practice and any revised Council policies. The report noted that the Director of Finance & Resources had endorsed the Chief Auditor's recommendation that the local code should continue to be the subject of an annual review to ensure that it continued to reflect developments in best practice in governance.
- (m) **Internal Audit Annual Report 2016/17** - The Board at its meeting held on 5 June 2017 considered the annual report on the activities of the Council's Internal Audit section for 2016/17, which detailed internal audit activity, purpose, authority and responsibility as well as performance relative to its plan. The annual report also provided an annual audit opinion of the overall adequacy and effectiveness of the Council's internal control environment and included details of any significant risk exposures, control issues and other matters that could be used to inform the governance statement.
- (n) **Local Government Benchmarking Framework Indicator Profile 2015/16** – The Board at its meeting held on 20 March 2017 considered a report which intimated that the Council had a robust performance management framework in place which ensured that performance was monitored by corporate and service level management teams and scrutinised by elected members. The report set out the mechanisms by which the monitoring of Council services was undertaken and provided key messages for the Council from the 2015/16 indicator profile against each of 68 indicators, including information relating to the performance of similar councils who had been placed into 'family groups' with Renfrewshire.
- (o) **Internal Audit and Counter Fraud Progress and Performance** – The Board considered regular reports which detailed the progress and performance in terms of the delivery of the audit plans for the internal audit and counter fraud progress. The Board at its meeting on 13 February 2017 noted that a new counter-fraud team was being established and the report noted that the current focus was establishing the priorities for the new team and no performance targets would be established for 2016/17.

- (p) **Internal Audit – External Quality Assessment** – The Board at its meeting held on 20 March 2017 considered a report which detailed the requirement in terms of the Public Sector Internal Audit Standards that an external assessment of internal audit be conducted at least once every five years. The report intimated that in March 2014, the Board had approved internal audit's participation in the peer review validated self-assessment framework developed by the Scottish Local Authorities Chief Internal Auditors' Group. The external quality assessment was undertaken by West Lothian Council, the overall conclusion of which was that Renfrewshire Council's Internal Audit function was a well-managed and effective audit service. An action plan had been developed which identified four areas for improvement, including the level of information provided to the Board. The Chief Auditor would benchmark with other local authorities and discuss options for future reporting arrangements.
- (q) **Absence Statistics** - The Board considered reports on absence returns with the statistics broken down by service and category of staff, including information relative to absence targets and how services had performed against them. The Annual Absence Statistics report considered by the Board held on 5 June 2017 detailed that the overall number of days lost per full time equivalent employee was 10.9 for 2016/17 which was 1.23 days above the target figure of 8.96 days.

### 3.3 Annual Reports by other Bodies

- (a) **Scottish Public Services Ombudsman (SPSO)** – The Board at its meeting held on 28 November 2016 considered a report which highlighted that Local Government remained the sector about which the SPSO received most complaints being 37.45% of the SPSO's total caseload for 2015/16 with the NHS again receiving the second highest number 32.88%. The report highlighted that information received separately from the SPSO indicated that the number of complaints received relative to Renfrewshire was 56 compared with 63 in 2014/15. During the period covered by the report the SPSO determined 52 complaints against the Council. Received and determined numbers did not tally as complaints determined included cases carried forward from previous years. Of the 52 complaints determined during the period, none were fully investigated, only one was partly upheld and none were the subject of a report to the Scottish Parliament.
- (b) **Commission for Ethical Standards in Public Life in Scotland: Annual Report 2013/14** – The Board at its meeting held on 28 November 2016 considered a report which detailed the work of the Commissioner during the year, provided details of the investigation of complaints about the conduct of councillors, members of devolved public bodies, MSPs and scrutiny of Scotland's ministerial public appointments process. The report advised that the volume and complexity of conduct complaints remained high with a 19% increase over the previous year.

Whilst the number of complaints relating to failure to register or declare an interest appeared to be on a downward trend, there had been a significant increase in the number of complaints alleging failure to show respect to councillors, to officials or to members of the public. The report also referred to the increasing number of complaints about comments made on social media. Nationally during 2015/16 the Commissioner received 202 complaints about councillors and the subject matter of the complaints was detailed in the report. No specific figures for Renfrewshire Council were included in the report. However, information had been received separately from the Commissioner that, during the period covered by the report 6 complaints had been received against Renfrewshire councillors compared with 10 in 2014/15. During the period covered by the report there were no hearings involving Renfrewshire councillors. The report noted that, as part of the elected members' training and development programme, briefings on code of conduct matters were provided to members and a new programme of briefings was in preparation for 2017.

- (c) **Scottish Information Commissioner Annual Report 2015/16** – The Board at its meeting held on 28 November 2016 considered a report which intimated that the Freedom of Information (Scotland) Act 2002 (FOISA) created a general right to obtain information from any designated Scottish public authority subject to limited exemptions. The annual report explored the performance of the Office of the Scottish Information Commissioner across the year and how FOISA could 'add demonstrable value to public services' within Scotland. It was noted that there had been a total of 540 appeals to the Commissioner in 2015/16. Renfrewshire Council had three appeals submitted to the Commissioner, two of which were from the same requester and which were subsequently withdrawn. The third fully upheld the Council's decision to refuse to release material as it was already publicly available on the Council's website and no further release of information was required.
- (d) **A Review of Housing Benefit Fraud Investigation Liaison Arrangements in Scotland** – The Board at its meeting on 20 March 2017 considered a report which intimated that responsibility for housing benefit counter fraud work transferred from local authorities to the Department for Work & Pension's (DWP) Fraud and Error Service, with Renfrewshire Council being the last authority to transfer in March 2016. The prevention, detection and investigation of fraudulent housing benefit claims were important aspects of a secure and effective benefit service. Counter-fraud activities helped to protect public funds by ensuring that fraudulent claims were identified and sanctions were applied where appropriate. The report provided findings from a review of the efficiency of the arrangements between local authorities and the DWP.

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## Implications of the Report

1. **Financial** – none
2. **HR & Organisational Development** – none
3. **Community Planning** – none
4. **Legal** – none
5. **Property/Assets** – none
6. **Information Technology** – none
7. **Equality & Human Rights**
  - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** – none
9. **Procurement** – none
10. **Risk** – none
11. **Privacy Impact** – none
12. **Cosla Policy Position** – not applicable

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