



**AUDIT AND SCRUTINY COMMITTEE
TO BE HELD ON THURSDAY,
15TH FEBRUARY, 2018**

**Please find attached Additional Item in respect of Item 7
on the Agenda for the above meeting**

7.	Minute (Pages 3 - 10) Minute of Meeting of the Audit and Scrutiny held on 15 January 2018 to be approved and signed by the Chairman. (Copy attached.)	
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**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE**

MINUTES of Meeting of the AUDIT AND SCRUTINY COMMITTEE held in Council Chamber, Council Headquarters, Newtown St Boswells on Monday, 15 January 2018 at 10.15 am

Present:- Councillors S Bell (Chairman), H Anderson, K Chapman, J A Fullarton, S Hamilton, N Richards, H Scott, R Tatler and E Thornton-Nicol.
Apologies:- Mr M Middlemiss.
Also Present:- Councillor S Mountford (Items 1 to 8)
In Attendance:- Chief Financial Officer, Chief Officer Audit and Risk, Executive Director (R Dickson) (Items 1-6), Service Director Customer & Communities (Item 1 to 8), Democratic Services Officer (J Turnbull).
Mr A Haseeb – Audit Scotland, Mr G Samson – Audit Scotland.

1. **WELCOME AND INTRODUCTIONS**

The Chairman welcomed those presented to the meeting and there was a round of introductions.

2. **ORDER OF BUSINESS**

The Chairman varied the order of business as shown on the agenda and the Minute reflects the order in which the items were considered at the meeting.

3. **MINUTE.**

There had been circulated copies of the Minute of 13 November 2017. With reference to paragraph 3 of the Minute, Ms Stacey, Chief Officer Audit and Risk, advised that recruitment for two non-voting external members was soon to commence for appointment in October 2018.

DECISION

APPROVED for signature by the Chairman.

4. **URGENT ITEM**

Under Section 50B(4)(b) of the Local Government (Scotland) Act 1973, the Chairman was of the opinion that the item dealt with in the following paragraph should be considered at the meeting as a matter of urgency, in view of the need to make an early decision.

5. **MINUTE
DECISION**

(a) **APPROVED for signature by the Chairman.**

(b) **NOTED the proposed Scrutiny review work programme as detailed in the Appendix to this minute.**

6. **RISK MANAGEMENT IN SERVICES**

6.1 The Chairman welcomed Mr Rob Dickson, Executive Director, to the meeting. Mr Dickson was in attendance to give a presentation on the strategic risks affecting his service and the internal controls and governance in place to manage and mitigate those risks. Mr Dickson began by advising that the risks within his service were largely delivered by service responsibility and included: negative media coverage and poor public perception; failure to manage and appropriately resource major programmes/projects;

ineffective change management to modernise the organisation; opportunities as a consequence of Brexit; being unprepared for major incidents; and, incidents during externally organised events. Risks were identified through Corporate Management Team (CMT) or through Service Managers. This involved continuous quarterly reviews driven within the project and service, for which the Programme Board or Service Manager carried responsibility.

6.2 Mr Dickson then gave examples of the scope and complexity of Risk Registers within his service. In relation to the Council's Digital Transformation programme, he explained that this encompassed multiple projects, each holding their own risk register with the complexity and breadth of impact having a multiplying effect on risk. The Programme Board managed these risks in terms of resources. With regard to Events, he advised that the Council supported approximately 50 events annually. An annual assessment was carried out for each event which considered the inherent risk, the organisers' competence and impact on the wider public. The Safety Advisory Group (SAG) met twice a year to consider each event and ensured a consistent approach for different events throughout the Scottish Borders. Mr Dickson then gave examples, referring to the Border Union Agricultural Show, he explained that the event's organisers had responsibility for the event and managed risk, the Council only being concerned with the event's impact on local roads. In contrast, Melrose Sevens was more significant in terms of risk management for the Council, with the impact on businesses and the town, which was addressed in an entirely different way. To conclude his presentation, Mr Dickson emphasised the continuous nature of the risk management process and that application of the Corporate Framework and processes was most effective in managing risk within his service.

6.3 In response to questions, Mr Dickson advised that there had been a range of actions introduced to ensure that employees were aware of changes being implemented under the Transformation Programme. CMT met three times a year with Senior Managers, which allowed interaction, this focused on performance and gave an understanding of pace in terms of the programme. Electronic updates were also circulated to staff, advising of progress and any delays. There were also mechanisms in place for staff to highlight problems to managers. He referred to the new election software system and that polling staff had been encouraged to report any difficulties in order that any issues could be resolved quickly. The introduction of Business World had also been a major change for employees, initial issues had been resolved and staff were more confident in the system and were driving progress. Mr Dickson also clarified that during his secondment, other managers would assume responsibility for managing the Risk Registers in his ownership. And, that the Brexit Monitoring Group, would be reporting to the Executive Committee prior to the summer 2018. With regard to Members having access to Risk Registers in order that they could be assured that risks were being managed correctly, Mr Haseeb confirmed that this would be good practice. Ms Stacey added that the Corporate Risk Officer was undertaking benchmarking with other Councils to understand their reporting format and a report would be brought to the May 2018 meeting which would include expectations in terms of the Committee's responsibility. The Chairman thanked Mr Dickson for his attendance and his clear, succinct presentation.

DECISION

NOTED the presentation.

7. INTERNAL AUDIT WORK TO DECEMBER 2017

7.1 With reference to paragraph 5 of the Minute of 13 November 2017, there had been circulated copies of a report by the Chief Officer Audit and Risk which provided details of the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements. The work Internal Audit had carried out during the period 28 October to 22 December 2017 was detailed in the report attached to the Agenda. During the period a total of eight, final Internal Audit reports were issued. There were four recommendations made relating to two of the reports which had been accepted by Management for implementation. An

Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit and Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, was included in Appendix 1 to the report. The SBC Internal Audit function conformed to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective 1 April 2013 including the production of the report to communicate the results of the reviews.

- 7.2 Reference was made to the Internal Audit Final Assurance Reports detailed in the Appendix to the report. Ms Stacey highlighted that there had been no recommendations in respect of the six schools, providing positive assurance. However, there had been a discussion with staff around minor improvements. The Service Director Children & Young People and the Chief Officer Education have asked for these audits to continue in future years' plans, with a sample of primary and secondary schools. With regard to the Industrial and Business Premises Assurance Report, one recommendation had been made to enhance governance. The report detailed that there should be clearer linkages between the development of the industrial property and business property estate, and the requirements of the Economic Strategy should be established. The approach to increasing the supply of immediately available land and business premises should also be set out; and the importance of securing external funding should be articulated. Ms Stacey advised that the Chief Officer Economic Development had welcomed the report findings and a review of the Strategy was already underway. Internal Audit had also made three recommendations in terms of Contract Management arrangements with third parties. The first recommendation was that the design and development of an effective Contract Management Framework should be progressed. This would be led by the Executive Director (Commercial) with completion scheduled for 2019. The second and third recommendations related to LIVE Borders and SB Cares. Internal Audit recommended that contract monitoring arrangements should be enhanced to comply with best practice guidance, including the provision of assurance on managing risk by LIVE Borders. Ms Stacey concluded her report by advising that the planned review on ICT security was completed through work with the Interim Head of IT on cyber resilience. The audit on the financial processes under payroll activity, sales to cash and procure to pay was also underway on which reliance would be placed by Audit Scotland which would be reflected in the External Audit Strategy 2017/18 presented to the March 2018 meeting. The Chairman thanked Ms Stacey for her report and complemented the work of Internal Audit in respect of the schools' Assurance Reports.
- 7.3 During discussion, it was noted that SB Cares and SB Contracts were monitored through the Major Contracts Governance Group. The Committee were concerned that there were no monitoring arrangements in place for LIVE Borders. It was agreed to request that changes be made to the Scheme of Administration to include LIVE Borders within its monitoring role, and that a verbal update on progress should be given at the next meeting.

DECISION:

- (a) **NOTED:**
- (i) **the final assurance reports issued in the period from 28 October to 22 December 2017 associated with delivery of the approved Internal Audit Annual Plan 2017/18;**
 - (ii) **the Internal Audit consultancy and other work undertaken in this period; and**
 - (iii) **the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**
- (b) **AGREED to request the Chief Executive consult with LIVE Borders regarding a possible amendment to the Scheme of Administration to include LIVE**

Borders within the monitoring role of the Major Contracts Governance Group and following this consultation that a report be submitted to Council to approve this amendment.

8. AUDIT OF HOUSING BENEFIT - RISK ASSESSMENT REPORT

- 8.1 There had been circulated a report by Service Director – Customer and Communities detailing the outcome of the Housing Benefit Risk Assessment carried out by Audit Scotland during July 2017. Although Scottish Borders Council had demonstrated awareness of what constituted effective and secure benefit delivery, there were six risks arising from this risk assessment and an action plan has been created to address these. The Service Director – Customer and Communities was in attendance and advised that overall the report was welcomed and the risks identified were accepted. However, in a response to Audit Scotland’s report, the Council had expressed disappointment that the report had not reflected the reduction in funding from the Department for Work and Pensions, whilst maintaining one of the lowest administration costs within Scotland.
- 8.2 Referring to Audit Scotland’s report, Ms Craig advised that with the imminent introduction of Universal Credit, the Council had been reducing the Service whilst managing in a way that would protect staff. However, because of uncertainty this had contributed to a high staff turnover, which was likely to continue. The reduction in administration funding from the Department of Work and Pensions (DWP) and a reduction in the level of overtime worked had also contributed to performance. Restructuring to provide a more streamlined service had also affected the Service’s ability to address performance issues and forward plan. In response to the risks identified in the report, Ms Craig explained the Council were maximising the use of existing resources and managerial arrangements, as well as extending their use of an agency. Performance monitoring would also be included as part of the Framework reporting to Executive Committee. Ms Craig highlighted that performance had already improved recently, for example, the average processing time for new claims and change of circumstances had changed from 29 days to 8 days and 25 days to 8 days respectively. Similarly, accuracy had also improved with an increase in the number of post notification and management checks. With regard to Overpayments, Ms Craig explained that this was a complex area and the cumulative figure went back to 1996. Overpayments remained on the system, as payments could be recovered over a period of time from ongoing entitlement or other sources. Former claimants might also come back on to benefits and the service was then able to reclaim overpayments. If there was no possibility of reclaiming payment, then it would be brought forward to Committee for write off. Ms Craig also explained that the delay in bringing the report to Committee was in order to await feedback from Audit Scotland. To conclude Ms Craig emphasised that the Service was already improving; Audit Scotland were satisfied with the action plan to address risk and would follow up progress in May 2018.
- 8.3 In response to questions Mr Grant, Customer Advice and Support Manager, advised that only a small proportion of cases were contracted out to an external agency on a monthly basis. The external agency employed experienced staff and there were accuracy checks. Mr Murdie, Locality Lead Officer Benefits, added that presently there were 10 full time assessors, plus supervisors and managers. Two vacancies were been filled by an agency. The service had also employed Council staff to fill vacancies on a secondment basis. There was discussion on a shared service and Ms Craig advised that there had been discussion with other authorities. However, they were experiencing the same issues with the reduction in DWP funding and were also restructuring their benefit services in anticipation of the changes. The Chairman thanked Ms Craig for her attendance, emphasising the Committee’s support for the improving service and welcoming the interim review by Audit Scotland.

DECISION

- (a) **NOTED:**
- (i) **The contents of the Audit of Housing Benefit – Risk Assessment Report (Appendix 1 to the report);**

(ii) **The actions planned by Customer Services to address the risks identified in the Audit Report (Appendix 2 to the report); and**

(iii) **The improvements achieved to date regarding the points identified at 4.2.3 and 4.2.4**

(b) **AGREED TO RECOMMEND to the Executive Committee that they consider reviewing Key Performance Indicators for the Housing Benefit service as part of their regular review of performance.”**

9. **TREASURY MANAGEMENT STRATEGY 2018/19**

There had been circulated copies of a report by the Chief Financial Officer presenting the proposed Treasury Management Strategy for 2018/19 and enabling the Committee to undertake their scrutiny role in relation to the Treasury Management activities of the Council, prior to Council approval. The Treasury Management Strategy was the framework which ensured that the Council operated within prudent, affordable limits in compliance with the CIPFA Code. The Strategy for 2018/19 to be submitted to Council on 20 February 2018 was included at Appendix 1 to the report. The Strategy reflected the impact of the Administration's draft Financial Plans for 2018/19 onwards on the prudential and treasury indicators for the Council. The report presented the Treasury Management Strategy for 2018/19 for consideration. Members requested clarification on a number of points contained in the Appendix and these were answered by officers. It was highlighted that that the final report would reflect any amendments required as a result of the Administrations' budget proposals and would be notified to the Committee.

DECISION

AGREED the draft Treasury Management Strategy for 2018/19 prior to presentation to the Council for approval.

10. **LOCAL GOVERNMENT IN SCOTLAND - FINANCIAL OVERVIEW 2016/17**

There had been circulated copies of a report by the Accounts Commission providing an outline of the overall financial health of local government and the significant challenges for local government finance that lay ahead. The report included a local government financial overview and, an overview of the Local Government Pension Scheme in Scotland. Members discussed the report and suggested that the Scrutiny Tool be populated and it was agreed that this could be done as one of the pre-meeting training sessions.

DECISION

AGREED

(a) **That officers arrange a training session for Members on the Scrutiny Tool; and**

* (b) **AGREED TO RECOMMEND to Council that the report be publicised to Members and to invite them to utilise the Scrutiny Tool for Councillors to help them better understand the Council's financial position and to scrutinise financial performance.**

The meeting concluded at 12.25 pm.

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**Scrutiny Work Programme 2018/19 – APPROVED AT COUNCIL
21/12/17**

	Review subject	Outcome/Lead Officer	Provisional Meeting Date
1	Home Schooling Update	<ul style="list-style-type: none"> Presentation giving an update on any legislative or guidance changes to home schooling requirements from the previous Scrutiny review carried out in February 2017. (Lead Officer: Donna Manson, Service Director Children & Young People) 	19 April 2018
2	2G and 3G Pitches Update	<ul style="list-style-type: none"> Presentation giving an update on 2G and 3G artificial pitch provision in the Scottish Borders from the previous Scrutiny review carried out in February 2017. (Lead Officer: Martin Joyce, Service Director Assets & Infrastructure) 	15 February 2018
3	Health and Social Care Integration Joint Board	<ul style="list-style-type: none"> Greater understanding of how the Integration Joint Board is delivering the Health and Social Care Strategic Plan to improve the lives of Borderers and meet the growth demands in the care sector. (Lead Officer: Rob McCulloch-Graham, Chief Officer, H&SCI) 	14 May 2018
4	SB Cares	<ul style="list-style-type: none"> The performance of SB Cares in relation to the aims and targets set within SB Cares Business Plan. (Lead Officer (SB Cares): Philip Barr, Managing Director, SB Cares) 	7 June 2018
5	Delivery of the IT Strategy and Plan within Scottish Borders Council	<ul style="list-style-type: none"> Confirm the deliverables set out in the ICT programme are in place to deliver the business transformation programme and other corporate plan outcomes (Lead Officer: David Robertson, Chief Financial Officer) 	After summer recess
6	Community Access to Schools	<ul style="list-style-type: none"> Ensure community groups and the public make full use of availability of infrastructure in schools for learning, leisure and sport. (Lead Officer: Martin Joyce, Service Director Assets & Infrastructure) 	19 April 2018

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