

SCOTTISH BORDERS COUNCIL AUDIT AND RISK COMMITTEE

MINUTES of Meeting of the AUDIT AND RISK held in Council Headquarters, Council Headquarters, Newtown St Boswells on Monday, 23rd November, 2015 at 2.00 pm

Present:- Councillors M. Ballantyne (Chair), W. Archibald, J. Campbell, I. Gillespie, A. J. Nicol, S. Scott and B White (Vice-Chairman)

In Attendance:- Chief Financial Officer, Chief Officer Audit and Risk, Corporate Transformation and Services Director (for Item 5), Service Director Neighbourhood Services (for Items 7 and 8), Chief Social Work Officer (for Item 9), Clerk to the Council, Democratic Services Officer (P Bolson).

1. 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.

2. WELCOME

The Chairman advised that three new external members had been appointed to the Audit and Risk Committee and welcomed to the meeting Mr Paul McGinley, Mr Michael Middlemiss and Mr Howard Walpole followed by introductions by those present. Councillor Iain Gillespie was also welcomed to the meeting following his recent appointment to the Committee.

DECISION NOTED.

3. MINUTE

3.1 There had been circulated copies of the Minute of 28 September 2015.

DECISION APPROVED for signature by the Chairman.

3.2 With reference to paragraph 4(b) of the Minute, Members were advised that a report on Grants and Loans to Third Parties would be presented at the next meeting of the Audit and Risk Committee on 18 January 2016.

DECISION NOTED that a report on Grants and Loans to Third Parties would be presented at the next meeting of the Audit and Risk Committee on 18 January 2016.

4. TREASURY MANAGEMENT MID-YEAR REPORT 2015/16

There had been circulated copies of a report by the Chief Financial Officer which detailed the mid-year treasury management activities for 2015/16, in line with the requirements of the CIPFA Code of Practice and which included Prudential and Treasury Management Indicators. Following consideration by the Audit and Risk Committee, the report would then be presented to Council for approval. Appendix 1 to the report contained an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators and proposed revised estimates of these indicators in light of the 2014/15 outturn and experience in 2015/16 to date for discussion by the Committee prior to presentation to Council for approval.

4.2 Ms Mirley, Corporate Finance Manager, made reference to her presentation during the Informal Briefing Seminar for all Elected Members on Borrowing and Treasury Management in Councils preceding this Committee meeting and referred to section 2.3 of

Appendix 1 to the report, advising Members that this was a summary of the interest rates forecast by Capita Asset Services, the Council's treasury adviser. The report explained that the current approved budget for 2015/16 was £50.7m, a reduction of £7.7m from the originally agreed figure. This had been due to adverse timing movements in some areas of the Capital Plan and the report detailed the key drivers of the changes. An increase of £10.1m within Place department was linked to movements to the re-profiling post-contract award for the Selkirk Flood Protection Project and the acceleration of £1m for Roads investment; a reduction in estimated expenditure of £13.3m within People department as a result of the adjustment to remove Kelso High School project which would now be fully funded via a revenue grant from the Scottish Government; a reduction of £4.2m from the Chief Executive department in relation to the Next Generation Broadband (BDUK) project which was being funded from the General Capital Grant retained by the Scottish Government; and the removal of £0.3m for emergency and unplanned schemes. In addition, there had been a reduction in the approved budget for Funding for Other Relevant Expenditure by £16m which was largely related to the lack of uptake of borrowing by Registered Social Landlords (RSLs) and the National Housing Trust project via Bridge Homes LLP. Ms Mirley explained that the Scottish Government's guidance criteria for lending identified the Local Authority as the "lender of last resort", making it more difficult to lend to RSLs and had resulted in a lack of uptake.

- 4.3 With regard to the Capital Financing Requirement (CFR), the report explained that this had been recalculated in light of the changes to the Capital Plan and noted a reduction in the amount required from £276.1m to £266.6m. Ms Mirley referred to the funding section within the Capital Investment Plan and explained that any need to fund a notional amount would not necessarily require borrowing and might, for example, be funded using the Council's cash flow. The report explained the management of under / over borrowing against the CFR and noted that historically long term borrowing had been by fixed rate maturity loans. Ms Mirley advised that this was not necessarily how the Council would proceed in the future and it was noted that variable rate loans might be considered if there was a prolonged period of low interest rates. In terms of risk, Ms Mirley confirmed that the Council could access cash reserves but there was a risk if those reserves were insufficient to cover requirements.

DECISION

(a) **NOTED that treasury management activity in the six months to 30 September 2015 had been carried out in compliance with the approved Treasury Management Strategy and Policy; and**

* (b) **AGREED TO RECOMMEND that the Treasury Management Mid-Year report 2015/16, as contained in Appendix 1 to the report, be presented to Council for approval of the revised indicators.**

5. INTERNAL AUDIT WORK 2015/16 TO OCTOBER 2015

- 5.1 There had been circulated copies of a report by the Chief Officer Audit and Risk which provided the Audit and Risk Committee with 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 and Internal Audit work in progress. The work Internal Audit had carried out in the period from 29 August to 31 October 2015 to deliver the Internal Audit Annual Plan 2015/16 was detailed in the report. During the reporting period 5 final internal audit reports had been issued. There were 4 recommendations made (0 Priority 1 High Risk, 1 Priority 2 Medium Risk, and 3 Priority 3 Low Risk) specific to three of the reports. Management had agreed to implement the recommendations to improve internal controls and governance arrangements. The report also detailed the Internal Audit Reviews which were either underway or nearing completion. An executive summary of the final internal audit reports issued, including audit objective, findings, good practice, recommendations 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 detailed in Appendix 1 to the report.

- 5.2 With reference to the Corporate Transformation Cultural Services Review, Members requested clarification regarding membership and purpose of the Joint Officer Working Group and the Member Reference Group, both of which had been set up as part of the process to consider an Integrated Culture and Sport Trust. Members were advised by Mr Dickson, Corporate Transformation and Services Director, that each of the two Groups had specific input into the process as detailed in Appendix 1 and this ensured that key stakeholders in cultural services were involved. Members were further advised that the Performance Management Framework was due for completion by the end of February 2016 and that recommendations would be presented to the Executive Committee by the end of March 2016. In the interim, the Chief Officer Audit and Risk would sit as a member of the Integrated Trust Project Board and provide support in terms of governance, risk and internal control whilst the Senior Internal Auditor would continue to work with the project team. With regard to the Authorised Signatories process for both salaries and creditors' payments, Ms Stacey confirmed the interim audit recommendation that access to the Council systems should be allocated to the duties of a particular post and not to the individual officer to ensure the relevant security measures were in place when there was movement of staff both within and out with the Council. In respect of the LEADER Programme, it was acknowledged that criteria for state aid could be confusing and that this could affect a number of services across the Council. On that basis, a framework to ensure that all officers within the Council were following the same standards was required and Mr Bryan McGrath, Chief Officer Economic Development and Lead Officer for this Programme, would be involved in the development of this. Mr McGrath had agreed the Priority 3 recommendation within the Audit Review and acknowledged that it covered the European Fisheries Fund Programme as well. In response to a question on European Fisheries funding, Mr Robertson confirmed that any uncommitted monies would be used within the Eyemouth area. Ms Stacey confirmed the process by which recommendations from Internal Audit reviews were followed up and that any non-completion of such recommendations were reported to the Audit and Risk Committee as standard practice.
- 5.3 With regard to the Public Service Network (PSN) Compliance, the Corporate Transformation and Services Director explained that compliance with PSN was mandatory to ensure the security of the Council's network and that of the data held within it. Certification of compliance was required on an annual basis. Mr Dickson explained that there had been a number of issues which had delayed the project prior to SBC's successful accreditation in August 2015 and that there were a range of lessons learned from this process. In response to a question regarding access to Covalent for the new external Members of the Audit and Risk Committee, Ms Stacey advised that currently the Committee received output from Covalent as required with officers accessing the system directly.

DECISION

- (a) **NOTED the final reports issued in the period from 29 August to 31 October 2015 to deliver the Internal Audit Annual Plan 2015/16;**
- (b) **ACKNOWLEDGED that it was satisfied with the recommended audit actions agreed by Management.**
6. **INTERNAL AUDIT MID TERM PERFORMANCE MONITORING REPORT 2015/16**
- 6.1 There had been circulated copies of a report by the Chief Officer Audit and Risk informing the Committee of the progress Internal Audit had made in the first six months of the year to 30 September 2015 towards completion of the Internal Audit Annual Plan 2015/16, and included a summary of outcomes of assessments of the Internal Audit Service against the Public Sector Internal Audit Standards. The report advised that based on the planned staffing levels within the period from October 2015 to March 2016, it was anticipated that

the Internal Annual Audit Plan would be delivered in full. The report went on to explain that interim changes to the Corporate Management structure meant that the Chief Officer Audit and Risk now reported directly to the Service Director Regulatory Services (also the Monitoring Officer of the Council). This would not affect the role of the Audit and Risk Committee in considering reports by the Chief Officer Audit and Risk.

- 6.2 Internal Audit's function, as set out in the Public Sector Internal Audit Standards (PSIAS), included the requirement to carry out a self-assessment against the PSIAS and develop a Quality Assurance and Improvement Plan (QAIP). A summary overview of this self-assessment was included in the report and it was noted that these self-assessments were also subject to an External Quality Assessment (EQA) every five years. A "peer review" framework was agreed by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and SBC had participated in a pilot framework along with five other Local Authorities. Renfrewshire Council visited SBC in October 2015 and the subsequent report concluded that the SBC Internal Audit Service generally conformed to PSIAS and identified a number of areas of good practice.
- 6.3 With regard to the planned Audit Reviews for Risk Management and Counter Fraud in 2015/16, Members were advised that the Chief Officer Audit and Risk would be considered to be the client with the Internal Audit Manager (IAM) fulfilling the Chief Audit Executive (CAE) role to ensure independence and objectivity and to meet the requirements of PSIAS. Following further discussion in respect of the line management structure and the potential or perceived impairment to objectivity where the IAM's normal reporting line was to the Chief Officer Audit and Risk, it was agreed that the relevant officers should discuss whether it would be of prudent to change the line management of the Internal Audit Manager during the short period in which he was acting in the role of CAE and to bring further information back to the Committee at its meeting in January 2016. In response to a question on how subjects for review were selected, Ms Stacey clarified that the range and breadth of audit areas for inclusion within the internal audit annual plan includes sufficient work to enable CAE to prepare an annual internal audit opinion on the adequacy of the Council's overall control environment, and to provide assurance to Management and the Audit and Risk Committee, as set out in the Internal Audit Strategy and Annual Plan. With reference to paragraph 4.1 of the report, it was noted that planned days of Internal Audit work on some Reviews did not always match the actual days completed and that in order to provide clarity, it was agreed that additional information would be added to future reports to explain any significant differences.

DECISION

- (a) **APPROVED the progress made by Internal Audit towards completion of the Internal Audit Annual Plan 2015/16; and**
- (b) **AGREED that:-**
- (i) **the Committee was satisfied with the performance of the Internal Audit Service; and**
 - (ii) **in terms of demonstrating transparency and ethics, the Chief Financial Officer, Service Director Regulatory Services and Chief Officer Audit and Risk would consider whether it would be prudent to change the line management of the Internal Audit Manager during the short period in which he was acting in the role of Chief Audit Executive to carry out the planned Audit Reviews for Risk Management and Counter Fraud; and**
 - (iii) **additional information would be included in future reports to explain any significant differences between the planned and actual number of days of work carried out on Internal Audit reviews.**

ADJOURNMENT

The meeting was adjourned for a short break at 3.50pm and reconvened at 3.55pm.

MEMBER

Councillor Nicol joined the meeting.

7. HOUSING BENEFITS OVERPAYMENT AND DEBT RECOVERY

With reference to paragraph 8 of the Minute of 11 May 2015, there had been circulated copies of a report by the Service Director Neighbourhood Services giving details of the performance of Housing Benefits overpayments and debt recovery during the first half of 2015/16. The report noted that the value of overpayments outstanding at the beginning of quarter three in 2015/16 was £1.5m in comparison to £1.1m in 2014/15. SBC awarded Housing Benefits payments in the region of £30m during 2013/14 and 2014/15 and of this, £746,340 (2.5%) was overpaid in 2013/14. During 2014/15, overpayment increased to £1,016,215 (3.3%). The report further advised that the number and value of overpayments had increased from quarter three as a result of new initiatives from the Department of Work and Pensions (DWP) which allowed better matching of data across organisations. The report also identified that the percentage of debt recovered in the first two quarters of 2015/16 had increased to 62.2%. Ms Craig explained that, following the implementation of Universal Credit, further digitisation of the application process for benefit was anticipated. Other measures being developed for improvement in debt recovery included the renegotiation of contracts for Sheriff Officers from April 2016 with built-in performance indicators on debt recovery; and further discussions with the DWP in relation to recovering debt from other benefits that individuals received. Discussion followed and Ms Craig explained the reasons for inaccurate claims being submitted included the complexity of some of the application forms and failure to advise the appropriate Authority of changes to circumstances. With regard to the recovery of costs where debts were pursued, Members were advised by Mr Grant, Customer Services Manager, that these were not currently passed on to the debtor but were covered by the Council. Debtors were consulted with regard to their repayment plan and generally deductions would be made directly from any payments where the debtor was still in receipt of benefits. In response to a Member's question, Ms Craig indicated that it was much more effective to prevent overpayments occurring in the first place rather than pursuing debt recovery and work with the DWP was now moving forward in this direction. A further update report would be presented to the Committee in six months.

DECISION

- (a) **NOTED the comparative activity relating to Housing Benefit overpayments and debt recovery during the period 1 April to 30 September 2015; and**
- (b) **AGREED that a further performance report be presented to the Audit and Risk Committee in six months.**

8. BENEFITS PERFORMANCE AUDIT ANNUAL UPDATE 2014/15

There had been circulated copies of a report by Audit Scotland on the Benefits Performance Audit Annual Update for 2014/15. Audit Scotland officers were on site at the Council during May 2014 to carry out a performance audit of the Council's Housing Benefit service. The results of this audit highlighted areas of good practice within the Council and the report commented that only one risk to continuous improvement had been identified.

DECISION

NOTED the report.

MEMBERS

Councillors White and Scott left the meeting during consideration of the following item.

9. RISK MANAGEMENT ACROSS ADULT SOCIAL CARE SERVICES

- 9.1 Members were advised that the presentation on Risk Management across Adult Care Services was being presented to the Committee as part of the scheduled call back programme for services across the Council.
- 9.2 There were circulated at the meeting copies of the presentation by Ms Torrance, Chief Social Work Officer. Ms Torrance explained that managing risk was a core requirement of adult health and social care services and as such, a number of robust tools were available to assist in the process. A client-centred approach was essential to ensure that individuals' needs and rights were considered throughout the process and Ms Torrance emphasised that operation risks were collectively managed across teams and services through the effective use of a management process, from the Social Worker to the Care Manager and Team Leader. Ms Torrance explained the different levels of risk management from strategic to directorate/service to operational and summarised the risk management structure for each, emphasising that the key purpose at all levels was to keep people safe. Members were advised of a number of key factors and major changes which had affected risk management, such as Health and Social Care Integration and the resultant adjustments to the delivery of Adult Care Services across the Borders; the creation of SBCares and management of risk in relation to ALEOs; corporate changes and the need to ensure that staff understand the process; demographic changes requiring the redesign of services; Council-wide financial pressures; and SBC's reputation in ensuring protection of those in receipt of the service and the wider public.
- 9.3 In terms of the tools and techniques for managing risk, Ms Torrance explained that the creation of SBCares involved stakeholder engagement and discussions with Unions to ensure that all parties were involved in the process. Training was provided for all frontline staff, managers and senior managers to ensure that they were equipped at an appropriate level to manage and mitigate risk. Regular monitoring of Risk Plans at all levels was a key part of the process and within social work practice risk management was an integral part of the social worker's role in terms of their case management. Other measures in place included the Chief Social Work Officer's Annual Report to Council on Risk Management, inspections by the Care Inspectorate, and self-evaluation within services which ensured that a robust and effective process existed.
- 9.4 Ms Torrance explained that measures were also in place to enable the effective governance of risk across the Adult Care Service. In terms of SB Cares, these measures included the appointment of an independent Chairperson and Members on the SB Cares Board; the setting up of the Limited Liability Partnership (LLP) Strategic Governance Group comprising four Elected Members; and the Performance/Finance Group which had responsibility for the day to day operational arrangements. In terms of progress made in the Health and Social Care Integration process, Ms Torrance explained to Members that an Integrated Joint Board had now been established and this board would receive reports on joint financing of Health and Social Care services. An Integration Scheme had been submitted to Scottish Ministers for approval and the Strategic Plan was currently out for consultation. Further progress would be reported in due course.
- 9.5 A number of questions were raised in relation to the management of risk and Ms Torrance provided clarification to Members. She emphasised that risk management was viewed as having a watching brief rather than reacting when something happened and as such, risks were re-assessed and moved in status as required. Escalation of risks within the service, to People Department Management Team and to Corporate Management Team, as required, ensured that each was dealt with by the appropriate level of management. Ms Torrance acknowledged that external risks such as a need for care at home providers to be brought back to in-house delivery presented challenges to the Council and that these would be addressed under the Health and Social Care Integration agenda. Ms Torrance confirmed that special placements such as those to other Local Authorities were still required in some cases and needed to be managed within the system. The Chairman thanked Ms Torrance for her attendance.

DECISION

NOTED the presentation.

10. **CORPORATE RISK MANAGEMENT STRATEGY**

There had been circulated copies of a report by the Chief Officer Audit and Risk seeking agreement to present the revised Corporate Risk Management Strategy to Council for approval. Members were in agreement that the content of the document was appropriate but were concerned that the text did not flow in an easy-to-follow way and that the language was, on occasion, over-complicated. It was agreed that the Chief Officer Audit and Risk, in consultation with the Chairman, would revise the wording and language within the document and would circulate the amended Strategy to Members for information prior to its presentation to Council for approval.

DECISION

(a) **NOTED the report;**

(b) **AGREED that the Chief Officer Audit and Risk, in consultation with the Chairman, would revise the wording and language within the document and that the amended Strategy would be circulated to Members for information; and**

* (c) **AGREED TO RECOMMEND that the revised Corporate Risk Management Strategy be presented to Council for approval.**

The meeting concluded at 5.00 pm