

# Public Document Pack



## AUDIT AND RISK MONDAY, 9TH MAY, 2016

A MEETING of the AUDIT AND RISK COMMITTEE will be held in the COUNCIL CHAMBER, COUNCIL HEADQUARTERS, NEWTOWN ST BOSWELLS on MONDAY, 9 MAY 2016 at 10.15 am

**As previously agreed, there will be a meeting of Members of the Committee at 9.30 a.m. prior to the main meeting.**

J. J. WILKINSON,  
Clerk to the Council,  
29 April 2016

<b>BUSINESS</b>		
1.	<b>Apologies for Absence.</b>	
2.	<b>Order of Business.</b>	
3.	<b>Declarations of Interest.</b>	
4.	<b>Minute</b> (Pages 1 - 8)  Minute of the meeting of the Audit and Risk Committee held on 29 March 2016 to be approved and signed by the Chairman. (Copy attached.)	5 mins
5.	<b>Scottish Borders Council Local Scrutiny Plan 2016/17</b> (Pages 9 - 14)  Consider the local scrutiny plan by Audit Scotland which sets out the planned scrutiny activity in Scottish Borders Council during 2016/17. The plan is based on a shared risk assessment undertaken by a local area network, comprising representatives of all of the main scrutiny bodies who engage with the Council. (Copy attached.)	20 mins
6.	<b>Internal Audit Work 2015/16 to March 2016</b> (Pages 15 - 26)  Consider a report by Chief Officer Audit and Risk on recent work carried out by Internal Audit to complete the delivery of the Internal Audit Annual Plan 2015/16, including the recommended audit actions agreed by Management to improve internal controls and governance arrangements. (Copy attached.)	15 mins
7.	<b>Internal Audit Annual Report 2015/16</b> (Pages 27 - 40)  Consider report by Chief Officer Audit & Risk on the annual assurance and audit opinion to Management and Audit and Risk Committee arising from Internal Audit activity in completing the Internal Audit Annual Plan 2015/16. (Copy attached.)	20 mins
8.	<b>Scottish Borders Council Annual Governance Statement 2015/16</b>	10 mins

	(Pages 41 - 48)  Consider report and draft Annual Governance Statement 2015/16 by Chief Executive for inclusion in Scottish Borders Council Statement of Accounts 2015/16. (Copy attached.)	
9.	<b>Pension Fund Annual Governance Statement 2015/16</b> (Pages 49 - 60)  Consider report and draft Annual Governance Statement 2015/16 by Chief Financial Officer for inclusion in Pension Fund Annual Report and Accounts 2015/16. (Copy attached.)	10 mins
10.	<b>Any Other Items Previously Circulated.</b>	
11.	<b>Any Other Items which the Chairman Decides are Urgent.</b>	

#### NOTES

1. **Timings given above are only indicative and not intended to inhibit Members' discussions.**
2. **Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.**

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**Membership of Committee:-** Councillors M. Ballantyne (Chair), J. Campbell, I. Gillespie, A. J. Nicol, S. Scott, B White (Vice-Chairman). Mr P McGinley, Mr M Middlemiss and Mr H Walpole.

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## 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 Tuesday, 29th March, 2016 at 2.00 pm

Present:- Councillors M. Ballantyne (Chair), I. Gillespie, A. J. Nicol and B White (Vice-Chairman); Mr M. Middlemiss.  
Apologies:- Councillors J. Campbell and S. Scott; Mr P. McGinley and Mr H. Walpole.  
In Attendance:- Depute Chief Executive Place, Chief Financial Officer, Chief Officer Audit and Risk, Democratic Services Officer (P Bolson); Mr M. Swann – KPMG.

### 1. MINUTE

- 1.1 There had been circulated copies of the Minute of 18 January 2016.

#### DECISION

**APPROVED for signature by the Chairman.**

- 1.2 With reference to the recommendation in paragraph 6(b) of the Minute, Mr Swann was asked to follow this matter up and report to the next meeting of the Audit and Risk Committee.

#### DECISION

**NOTED.**

### 2. RISK MANAGEMENT IN SERVICES

The Service Director Regulatory Services, Mr Brian Frater, was in attendance to brief the Committee on the strategic risks facing the various sections within Regulatory Services and to explain the internal controls and governance in place to manage and mitigate those risks. Hand-outs were distributed at the meeting to supplement the presentation. Mr Frater explained that he currently managed eight areas of the service, namely Assessor and Electoral Registration; Audit and Risk; Health and Safety; Housing Strategy and Services; Legal and Licensing; Passenger Transport; Planning and Related Services; and Regulatory Services (which included Environmental Health and Trading Standards). In his role, Mr Frater was also the Council's Senior Information Risk Owner (SIRO) and the Monitoring Officer. Risk Registers for each of the services were developed through the Business Planning Process and were owned by Service Managers within that service. The Registers were reviewed by the Service Director and Management Team and when necessary, risks were escalated to the Corporate Management Team (CMT). Mr Frater referred to the key overarching issues facing Regulatory Services, namely financial pressures; unpredictability of the economy; increased demands and expectations; Government policies and legislation; and new operating models such as SB Cares and other ALEOs, Trusts etc. A number of key risks were identified for internal facing services and these were listed as health and safety non-compliance; legislative failure; data breach (both in how the organisation handled data and in respect of ALEOs); and breaches of the Councillors' Code of Conduct. Risks challenging the outward facing services related to failure to demonstrate continuous improvement, and in some cases this could include a Penalty Clause imposed by the Government; failure to monitor and enforce in areas such as dog control, food premises and private water supplies; and failure to inspect and maintain bridges and structures. In terms of managing these risks, Mr Frater explained that this was achieved by effective project/programme and change management which was applied across the Council within the business planning process. Appropriate and effective training was delivered to support this process and self-evaluation, peer review, inspections and both internal and external scrutinisation also played an important role.

Regular monitoring of performance measures was also carried out to ensure that risk was being managed effectively. Mr Frater responded to Members' questions in relation to how the Risk Register was monitored, the way in which consistency of approach was delivered and the positive manner in which training had become embedded within services. He advised that there were circumstances when a level of tolerance of risk was necessary and this was considered as part of the process to deliver efficiencies. The Chairman thanked Mr Frater for his presentation.

## **DECISION**

**NOTED the presentation.**

### **3. INTERNAL AUDIT WORK 2015/16 TO FEBRUARY 2016**

- 3.1 With reference to paragraph 4 of the Minute of 18 January 2016, 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, the recommended audit actions agreed by management to improve internal controls and governance arrangements and internal audit work currently in progress. During the period 1 January to 29 February 2016, a total of six final internal audit reports had been issued. There were 4 recommendations made (0 Priority 1 High Risk, 3 Priority 2 Medium Risk, and 1 Priority 3 Low Risk) specific to two of the reports. Management had agreed to implement the recommendations to improve internal controls and governance arrangements. An executive summary of the final internal audit reports issued, including audit objectives, 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 the Appendix to the report. Ms Stacey advised that in addition to the Internal Audit work currently in progress, the Chief Officer Audit and Risk had also been appointed as the Chief Internal Auditor for the Health and Social Care Integration Joint Board (IJB) and would be working with the Board and its partners to support its governance.
- 3.2 With regard to the review of Financial Governance – Creditors Payments, Ms Stacey explained that the purpose of this was to ensure that payment processes at a Service level for both Proactis and non-Proactis source systems were accurate and appropriately authorised. During the Audit, management had initiated a project to replace the core Financial and HR Systems by 2017. Ms Stacey informed Members that an interim audit report had noted a lack of clarity and highlighted some inconsistency within the financial systems in relation to delegation levels of authority for approving and payment of orders and invoices. These issues would be addressed by 31 March 2016. Some control weaknesses had been identified within the existing systems scheduled for replacement. The recommendations therefore focussed on the scope of the project, the inclusion of work to address these issues during the development process and the assurance that appropriate guidance and corporate policies were in place to support the new systems. Ms Stacey advised that the Management response stated that there had to be a significant culture change around the recognition and application of financial governance across the organisation and the new system in order to resolve the weaknesses.
- 3.3 A review of the Council's Information Governance had been undertaken to examine the framework, roles and responsibilities, policy development and implementation in place. Following the establishment of the Information Governance Group (IGG) and the development of the Information Governance Improvement Plan (IGIP), there had been fewer than anticipated meetings of the Group and subsequent concern that insight gained during the development of the governance framework would be lost. It had been noted that the IGG had met regularly since February 2015, the Service Director Regulatory Services now fulfilled the role of Senior Information Risk Owner (SIRO) and the Interim Project Manager post, to work alongside the Information Management Team, had been filled since January 2016. Significant progress had been made since the beginning of the year and Ms Stacey reported that there would be an Internal Audit project assurance presence on the Project Board.

- 3.4 Ms Stacey advised that two recommendations were still outstanding from the review on Data Security and Information Management dated 4 April 2014, namely that processes were required for the holding of records in line with the Council's retention schedule; and the introduction of housekeeping processes to provide assurance that all physical personal data records were identified and stored appropriately. Further, additional recommendations had been made. A central repository for Data Sharing Agreements with other government agencies should be established alongside guidance on who could sign these documents, development of processes to ensure that the undertakings within the agreements were being fulfilled and the implementation of regular reviews of any outstanding actions. A review of the Council's Information Policy and Strategy should be undertaken which would then be used to prepare a structured programme of work for the IGG and would include clarification of the roles and responsibilities of the members. Officers responded to Members' questions relating to current processes for robust Information Governance and financial controls.

### **DECISION**

- (a) **NOTED the final reports issued in the period from 1 January to 29 February 2016 to deliver the Internal Audit Annual Plan 2015/16; and**
- (b) **ACKNOWLEDGED that it was satisfied with the recommended audit actions agreed by management.**

### **MEMBER**

Councillor Gillespie left the meeting during consideration of the following item of business.

#### **4. MAJOR CAPITAL INVESTMENT IN COUNCILS - FOLLOW UP**

- 4.1 There had been circulated copies of a follow up report by Audit Scotland on major capital investment by Councils across Scotland. It was explained that the previous audit report published in 2013 had made a number of recommendations and the current follow up report assessed the extent to which Councils had improved their performance in respect of managing their capital investment programme and projects and summarised the actions taken by Councils between 2012/13 and 2014/15. Generally the report recognised the improvements that had been made to date and those still in progress to further develop Council strategies and plans. However, it was also recognised that additional work was required in a number of areas, as detailed in the report and appendices. With reference to the report before the Committee, cognisance was taken of actions implemented to strengthen monitoring of capital investment programmes, the use of Accounts Commission checklists and the application of lessons learned to new capital projects.
- 4.2 A number of recommendations were made in the report before Committee, namely that Councils should: ensure that business cases complied with good practice and that these were monitored and reviewed for all capital projects; carry out regular post-project evaluations to establish whether planned benefits had been realised; plan for key stage project reviews to provide assurance on progress and early identification of potential problems; and sharing lessons learned both within the organisation and with other Councils. Members noted the position within Scottish Borders Council and the areas for improvement as stated for Capital Projects within the Appendix to item 3 Internal Audit Work 2015/16 to February 2016. The report also identified the requirement to provide Elected Members with regular and accurate information to enable them to undertake their scrutiny role and the report went on to detail the ways in which Councils should develop their capital monitoring reporting for this purpose. Again, Members noted that there were a number of sound examples of good practice across SBC. Discussion followed and officers replied to Members' questions. The Chief Financial Officer advised that the Administration Finance and Resources Working Group (AFRWG) also had a role in terms of monitoring the funding of capital investment programmes. The Council's flood

protection planning was given as a sound example of the effectiveness of monitoring and tracking of processes and it was acknowledged that information about how these internal controls were applied could be better communicated to the general public.

**DECISION**

**NOTED the report.**

5. **INTERNAL AUDIT CHARTER**

With reference to paragraph 10 of the Minute of 23 March 2015, there had been circulated copies of a report by the Chief Officer Audit and Risk, presenting Members with the updated Internal Audit Charter for approval. Ms Stacey advised Members that the Charter had been amended to include improvement actions identified in the PSIAS self-assessment in 2015/16; the external quality assessment carried out by Renfrewshire Council as reported to the Committee in November 2015; and corporate management changes that had affected the Audit and Risk service.

**DECISION**

**AGREED to approve the updated Internal Audit Charter.**

6. **INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT ANNUAL PLAN 2016/17**

There had been circulated copies of a report by the Chief Officer Audit and Risk seeking approval for the Internal Audit Strategy and Internal Audit Plan 2016/17 to enable the preparation of the annual internal audit opinion on the adequacy of the Council's overall control environment. Ms Stacey explained that the Internal Audit function followed the professional standards as set out in the Public Sector Internal Audit Standards (PSIAS) and required the establishment of risk-based plans to determine the priorities of internal audit activity and that these plans were capable of reflecting the changing risks and priorities within the organisation. The Internal Audit function also included the requirement to provide senior management and Elected Members with independent and objective assurance on internal control, risk management and governance to support and improve the Council's operation. The Internal Audit Strategy was laid out in Appendix 1 to the report and the Internal Audit Annual Plan 2016/17 was detailed in Appendix 2. Ms Stacey explained that Internal Audit's programme of work would be scheduled in detail from the Annual Plan, with further input from Management in terms of timing and scope. Members questioned the savings for Audit and Risk when more work has been taken on by Internal Audit in respect of SB Cares and the Health and Social Care Integration Joint Board. Future Internal Audit Annual Plans would give consideration to these issues and to how improved delivery methods would potentially reduce the level of risk and change the way in which the Internal Audit service was provided. Members were assured that a transparent internal audit requirement would be built into any Service Level Agreement with ALEOs.

**DECISION**

**AGREED to approve the Internal Audit Strategy and Internal Audit Annual Plan 2016/17.**

7. **EXTERNAL AUDIT SCOTTISH BORDERS PENSION FUND AUDIT STRATEGY 2015/16**

There had been circulated copies of a report by KPMG, the Council's external auditor which summarised the role of KPMG, the scope and purpose of the work to be undertaken and significant audit risks and other focus areas for consideration. Mr Swann, KPMG's Engagement Manager summarised the findings contained in the report, advising that Materiality had been set at £470k (2% benchmark). Three areas of significant audit risk were listed in the report: fraud risk from management override of controls; fraud risk from income recognition; the valuation of investments. The report noted that the majority of investments were currently held in listed securities and that further verification of these investments would be carried out to provide maximum assurance of their valuations. Mr

Swann answered a question in relation to the Valuation of Assets, explaining that there were various levels of valuation which could be used.

**DECISION**

**NOTED the report.**

8. **EXTERNAL AUDIT INTERIM MANAGEMENT REPORT 2015/16**

There had been circulated copies of an interim management report and audit status summary for the year ending 31 March 2016 by KPMG. The report provided an update of the results of the control framework testing, overarching governance and systems controls, along with KPMG's assessment of the key risks and other focus areas for the year. Four recommendations had been made in respect of minor observations and these related to organisational policies, bank reconciliations, journal authorisation and Financial Information System (FIS) new user forms. Management actions had been agreed in all cases and Members were advised that the Council's Financial Regulations and associated policies and procedures would be reviewed and updated as part of the project to implement the new Business World ERP system. Mr Swann answered a question with reference to Health and Social Care Integration, and explained that there was a requirement for the Integration Joint Board to provide audited accounts. This was likely to take effect from the date that Parliament approved the Scheme of Integration. Further information would be presented to the Committee in due course.

**DECISION**

**NOTED the report.**

9. **PROCUREMENT IN COUNCILS - IMPACT REPORT**

There had been circulated copies of a report by the Accounts Commission which was published in February 2016 that explains how its audit report on "Procurement in Councils" published in April 2014 has been used by stakeholders including the Scottish Parliament, Scotland Excel and Councils. The report detailed the aims, objectives, key messages and recommendations from the original audit. Discussion followed and Mr Swann confirmed that the regulations governing procurement within Councils had become increasingly complex, advising that Scottish Borders Council had continued to remain compliant. A Procurement Workshop facilitated for Elected Members in September 2015 had been well received but it was noted that a number of Members had been unable to attend at that time. It was therefore intended to repeat the workshop to give all Members an opportunity to attend.

**DECISION**

**NOTED the report.**

10. **OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND 2016**

There had been circulated copies of a report by the Accounts Commission published in March 2016, presenting an overview of local government in Scotland in 2016 which draws on the findings from local government audit work in 2015, including audits of 2014/15 financial statements, Best Value, Community Planning and performance. The Chief Financial Officer summarised the report, advising that this was generally very positive whilst recognising the challenges facing Councils. The report contained a number of key messages. These were that: Members would be faced with increasingly difficult decisions to make about how to spend reducing budgets; Councils would need to re-evaluate options for changes in service delivery; customer satisfaction had declined in some areas of service delivery and Councils would need to consider ways to improve ratings in the face of further budget reductions; the impact of workforce reductions and the potential loss of knowledge and skills would have to be considered; the Council and partners would need to respond to the Community Empowerment (Scotland) Act 2015, involve local communities more in the decision-making and delivery of services to meet local needs; and the skills and knowledge that Members needed to fulfil their increasingly complex role required regular updating to ensure that they were able to challenge and scrutinise

decisions and performance. A general discussion followed and Members noted that the establishment of SB Cares was included in the report as an example of a new ALEO.

**DECISION**

**NOTED the report.**

**11. HEALTH & SOCIAL CARE INTEGRATION**

- 11.1 There had been circulated copies of reports by the Accounts Commission on 'Health and Social Care Integration' and 'Changing Models of Health and Social Care' which were published in December 2015 and March 2016 respectively. The former report detailed the key messages and recommendations and noted that this was the first of three planned audits of this major reform programme. This report noted that all integration authorities would be operational by the statutory deadline of 1 April 2016 and the required governance and management arrangements would be in place by this deadline. Significant risks had been identified and these would need to be addressed to ensure the effective delivery of health and care services in the future. Difficulties in agreeing budgets and uncertainty about longer term funding meant that strategic plans, with clear targets and timescales, had not yet been finalised. Other risks were contained in this report, including the different terms and conditions of service for Council and NHS staff and the recruitment and retention of GPs and care staff. The latter report assessed how NHS boards, councils and partnerships might deliver services differently in the future to meet the needs of the population. This report highlighted examples of some of the new approaches to providing health and social care aimed at shifting the balance of care from hospitals to more homely and community-based settings. It also considered some of the main challenges to delivering the transformational change needed to deliver the Scottish Government's 2020 Vision for health and social care and actions required to address them.

**DECISION**

**NOTED the reports.**

- 11.2 There had been circulated copies of a report by the Health and Social Care Partnership Integration Joint Board Chief Financial Officer, Mr Paul McMenamin, updating Members on the progress made within the Health and Social Care Integration (H&SCI) programme to date. The report outlined the outcome of a compliance assessment of the work undertaken within the Scottish Borders against the legislative provisions within The Public Bodies (Joint Working) Scotland Act 2014 and the subsequent recommended best practice guidance issued by the Scottish Government/Integrated Resources Advisory Group (IRAG). Mr McMenamin explained that the shadow year for the Integration Joint Board (IJB) was approaching its end and the assessment of progress was to provide assurance over the appropriateness and comprehensiveness of the work undertaken to date and to identify where further work was required. The report explained that the IJB would comply with the public sector good practice governance and its Scheme of Integration set out the detail of the arrangement between Scottish Borders Council and NHS Borders. Mr McMenamin advised that there were areas of work outstanding and these, along with the work completed and in progress, were detailed in Appendix 1 to the report. All required arrangements will have been approved/established during the first year of operation of the IJB. Members noted that £793k of savings were still to be identified in the Financial Plan for 2016/17. In terms of assurance of efficiency of resources, robust governance arrangements were in place and Members were advised that, as the newly appointed Chief Internal Auditor to the Board, Ms Stacey would be looking at the development of an Assurance Framework for the IJB. A detailed updated Action Plan was attached at Appendix 2 to the report.
- 11.3 Members requested further information about the Council's role and responsibilities and those of the Audit and Risk Committee. Mr McMenamin explained that an Annual Report would be submitted to the Council, NHS Borders and the IJB. He further advised that work was ongoing to establish robust outcomes and measurement tools for the IJB. In terms of



the Audit and Risk Committee, it was noted that further clarification was required. The Chairman of the Council's Audit and Risk Committee would therefore write to the Chair of the NHS Borders Audit Committee to further clarify the roles and responsibilities of each organisation and therefore avoid the potential for duplication of assurance reporting. The Chairman thanked Mr McMenemy for his attendance and comprehensive report.

**DECISION**

**NOTED:-**

- (i) **the progress made to date in the development and implementation of the key financial arrangements following recommended best practice and compliance with legislation which required to be in place prior to 1 April 2016; and**
- (ii) **the plan of actions for the remaining work which required to be completed and approved before and beyond 1 April 2016.**

*The meeting concluded at 4.50 pm*

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# Scottish Borders Council

## Local Scrutiny Plan 2016/17

### Introduction

1. This local scrutiny plan sets out the planned scrutiny activity in Scottish Borders Council during 2016/17. The plan is based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way.
2. This plan does not identify or address all risks in the council. It covers only those risk areas that the LAN has identified as requiring scrutiny, or where scrutiny is planned as part of a national programme. Planned scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2016/17, which is available on the Audit Scotland website.

### Scrutiny risks

3. During 2015 Audit Scotland carried out Community Planning Partnerships (CPP) audit follow-up work in Scottish Borders as part of a national progress report. The local audit work found that Scottish Borders Community Planning Partnership continues to make progress towards its three priorities (Grow the Economy, Reduce Inequalities, and Maximise the impact from the Low Carbon agenda) and against its broader improvement agenda. This has included:
  - developing a Performance Management Framework (PMF) for the 'Grow the Economy' priority area, with plans to develop similar PMFs for the CPP's two other priority areas
  - streamlining and rationalising the groups and subgroups that feed in to the CPP following a review of the CPP's governance arrangements.
4. The CPP acknowledges that there are areas where further improvement is still required, such as:
  - securing better alignment between individual partner's priorities and the Scottish Borders CPP Single Outcome Agreement (SOA)
  - improving the CPP's understanding of the total resources available for CPP priorities across the Scottish Borders
5. The CPP will be developing its improvement agenda further during 2016 in the context of the new requirements placed upon it under the Community Empowerment (Scotland)

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Act 2015. The LAN will continue to monitor progress against this improvement agenda as part of its routine engagement with the council and its partners.

6. During 2015/16, the Care Inspectorate has been leading a joint inspection of services for children and young people. The findings of this work will determine the need for any future follow-up scrutiny.
7. Over the past year, Audit Scotland received correspondence from a member of the public requesting a review of the council's decision to award the waste management contract to New Earth Solutions (NES) in 2011. In response the external auditor (KPMG) examined: governance processes related to the award of the contract; the assessment of risk related to the developing technology; and the council's progress in addressing areas for improvement identified during our work on *Managing capital investment in councils* (reported in 2013). The external auditors found that relevant approval processes were adhered to, that the technology (which has subsequently not been able to be implemented) was not core to the initial agreement with NES; and that progress has been made in in addressing areas for improvement with appropriate procurement, governance and risk management arrangements in place.
8. In response to a follow-up query from the correspondent KPMG looked at the termination of contract with NES as part of their 2014/15 audit work. In their 2014/15 Annual Audit Report to members they reported that 'We are satisfied that the Council has followed appropriate procedures in relation to this decision'. This was also reported in our *Major capital investment in councils: follow-up* report issued in January 2016.
9. The Director of Children and Young People was appointed in February 2015. Her strong leadership and clear direction has already impacted positively on partnership working across the council, monitoring and evaluating school improvement and notably increased the attainment outcomes of young people in national examinations. Leadership capacity is developing well within schools and within the newly formed Senior Lead Officer (SLO) team. More recently, the appointment of a chief education officer in September 2015 has enhanced the service's ability to respond to and improve national educational initiatives. However, there is scope to improve further leadership capacity across the service and to make better use of performance information to bring about further improvement in children and young people's attainment and achievements. The early learning and childcare sector continues to improve. A continued programme of activity and engagement between the council and Education Scotland is planned to monitor progress and further support school improvement.
10. The future financial outlook indicates significant challenges for SB Cares in delivering affordable and sustainable social work services. Scottish Borders Council acknowledges the need to undertake further strategic planning and service challenge to deliver affordable and sustainable services in the future. In addition to the specific risks for social work services, the Accounts Commission has a close interest in the operation of ALEOs. As such, the LAN will continue to monitor how risks are being addressed and maintain oversight of how SB Cares operates.

11. To assess the risk to social landlord services SHR has reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. It found the percentage of applicants that lost contact before the discharge of the council's homelessness duty are significantly higher than the national average. The SHR undertook a focused scrutiny in March 2016 to better understand reported performance and assess risks. It found that the practice did provide some assurance about the council's commitment to provision of support for service users and, evidence of good quality advice and information and building rapport with service users in the assessment interviews although there were some weaknesses in the way SBC manages and reports lost contact with applicants and closing homeless application cases. A new staffing structure for the homeless service has just been introduced and the council is piloting a new approach to self-assessment. SHR will engage with the council to monitor its progress in addressing these weaknesses.
12. The Scottish Housing Regulator published its thematic inquiry report "Gypsy/Travellers in Scotland" in November 2015. We will expect the council to provide us with details of the progress it has made against the report's recommendations by end December 2016.

## Planned scrutiny activity

13. As shown in [Appendix 1](#), the council will be subject to a range of risk-based based and nationally driven scrutiny activity during 2016/17. For some of their scrutiny activity in 2016/17, scrutiny bodies are still to determine their work programmes which specific council areas they will cover. Where a council is to be involved, the relevant scrutiny body will confirm this with the council and the appropriate LAN lead.
14. Since 2014/15, Her Majesty's Fire Service Inspectorate (HMFSI) has been inspecting local fire and rescue arrangements across Scotland as part of a three year programme. These inspections will examine, amongst other things, local scrutiny and engagement between the Scottish Fire and Rescue Service and councils. Scottish Borders is included in HMFSI's 2016/17 programme, with work scheduled to take place over the summer of 2016.
15. In December 2014, the Accounts Commission concluded its review of Best Value and set out principles for a new approach to auditing Best Value. These principles include the need for more frequent assurance on Best Value across all 32 councils, integrating the audit processes, an increased emphasis on driving improvement, and a strong focus on the quality of service experienced by the public and the outcomes achieved.
16. The new approach will be rolled out from October 2016 but will continue to evolve. It will include assessment each year of aspects of Best Value as part of an integrated annual audit and a public report, (Controller of Audit report to the Accounts Commission) for each council at least once in a five year period that will bring together an overall picture of the council drawn from a range of audit activity. The initial iteration of the rolling programme, which will be reviewed and refreshed annually in response to factors

including the SRA, will be presented to the Accounts Commission in April 2016. The results of this current SRA will make a significant contribution to the audit intelligence that will underpin the new approach, and inform the development of the initial programme.

17. 2016 is a transition year. This includes development of the intelligence about each council for the new approach and the handover to new audit appointments. While preparation for the new approach progresses, Best Value audit work will continue. But, appropriate elements of the new approach, such as reporting mechanisms, will also be tested in some councils.
18. The Scottish Government has confirmed in its funding letters to Alcohol and Drugs Partnerships (ADPs) that the Care Inspectorate will undertake Validated Self-Evaluation (VSE) activity with Alcohol and Drug Partnerships. The purpose of this activity is to support the validation of ADP and services' self-assessment of local implementation and service compliance with the Quality Principles: Standard Expectations of Care and Support in Drug & Alcohol Services. The findings from this validation work will be reviewed by the Scottish Government to consider and inform the future programme of national support that will further encourage and support delivery of continued improvements at ADP and service level. It is anticipated that all 30 ADPs will participate. On site activity is likely to commence in March 2016 with a national overview report completed by the end of 2016. The Care Inspectorate will also provide brief, customised feedback to each ADP in order to help build their capacity for self-evaluation.
19. The Care Inspectorate will work together with partner regulatory agencies to continue to deliver a coordinated programme of joint scrutiny of Community Planning Partnerships and integration joint boards. Partner agencies are reviewing the methodology for joint inspections of Adults' services. As well as joint strategic scrutiny programmes, the Care Inspectorate will also be reviewing its approach to strategic commissioning, reviewing the validated self-assessment of Alcohol and Drug Partnerships and undertaking a variety of thematic programmes of work.
20. In addition to specific work shown in [Appendix 1](#), routine, scheduled audit and inspection work will take place through the annual audit process and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively. Audit Scotland will carry out a programme of performance audits during 2016/17 and individual audit and inspection agencies will continue to monitor developments in key areas of council activity and will provide support and challenge as appropriate. This will help to inform future assessment of scrutiny risk

**April 2016**

## Appendix 1: Scrutiny plan

Scrutiny body	Scrutiny activity	Date
Audit Scotland	The new approach to Best Value will be rolled out from October 2016. The timing of Best Value work in councils under the initial iteration of the rolling programme will be presented to the Accounts Commission in April 2016.	The LAN will notify the council if any Best Value work is proposed during 2016/17 after the Accounts Commission meeting in April 2016
	Audit Scotland plans to undertake performance audit work in three areas covering local government during 2016/17. It will undertake a performance audit on early learning and childcare and a follow-up on audit on self-directed support. Audit Scotland will also carry out audit work on equal pay, but is still considering the focus and outputs of work in this area. Any engagement with councils is still to be determined. Details of future audit work are available on the Audit Scotland website <a href="#">here</a> .	TBC
Care Inspectorate and Healthcare Improvement Scotland	Validated self-evaluation (VSE) activity with Alcohol and Drug Partnerships Joint strategic inspection of adults' services.	<b>During 2016 Quarter 4 of 2016/17</b>
Education Scotland	A continued programme of activity and engagement between the council and Education is planned to monitor progress and support improvement.	<b>Ongoing</b>
Her Majesty's Inspectorate of Constabulary (HMICS)	HMICS has yet to agree its programme of local policing inspections over the next year. These inspections will examine, amongst other things, local scrutiny and engagement between Police Scotland and councils.	TBC
Her Majesty's Fire Service Inspectorate (HMFSI)	Since 2014/15, HMFSI has been inspecting local fire and rescue arrangements across Scotland as part of a three year programme. Scottish Borders is included in HMFSI's 2016/17 programme.	<b>Summer 2016</b>
Scottish Housing Regulator (SHR)	The Scottish Housing Regulator (SHR) will monitor the council's progress in addressing the weaknesses identified. The council will provide quarterly progress reports in relation to its proposed improvement actions and their outcomes.	Quarterly
	The Scottish Housing Regulator (SHR) will publish the findings of its thematic inquiry work completed during 2015-16. It will carry out further thematic inquiries during 2016-17.  SHR will review the Charter data submitted by landlords and carry out data accuracy visits during quarter 2.  If the council is to be involved in a thematic inquiry or a data accuracy visit SHR will confirm this directly with the council and the LAN lead.	TBC  Quarter 2





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## **Internal Audit Work 2015/16 to March 2016**

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### **Report by Chief Officer Audit and Risk**

### **Audit and Risk Committee**

**9 May 2016**

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#### **1 PURPOSE AND SUMMARY**

**1.1 The purpose of this report is to provide the Audit and Risk Committee with details of:**

- a) the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements, and**

- b) Internal Audit work currently in progress.**

1.2 The work Internal Audit has carried out in the period from 1 to 31 March 2016 to deliver the Internal Audit Annual Plan 2015/16 is detailed in this report. During this period a total of 2 final internal audit reports have been issued. There was 1 recommendation made (0 Priority 1 High Risk, 0 Priority 2 Medium Risk, and 1 Priority 3 Low Risk) specific to 1 of the reports. Management have agreed to implement the recommendations to improve internal controls and governance arrangements.

1.3 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, is shown in Appendix 1 to this report.

1.4 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards 2013 (PSIAS) including the production of this report to communicate the results of the reviews.

1.5 Further information on the work of Scottish Local Authorities Chief Internal Auditors Group (SLACIAG), which is the professional networking group for Heads of Internal Audit, is shown in Appendix 2 to this report.

#### **2 RECOMMENDATIONS**

**2.1 I recommend that the Audit and Risk Committee:**

- a) Notes the final reports issued in the period from 1 to 31 March 2016 to deliver the Internal Audit Annual Plan 2015/16; and**

- b) Acknowledges that it is satisfied with the recommended audit actions agreed by Management.**

### 3 PROGRESS REPORT

- 3.1 The Internal Audit Annual Plan 2015/16 was approved by the Audit and Risk Committee on 23 March 2015. Internal Audit has carried out the following work in the period 1 to 31 March 2016 to deliver the plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance arrangements.
- 3.2 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective 1 April 2013 including the production of this report to communicate the results of the reviews.

#### Audit Reports

- 3.3 Internal Audit issued final internal audit reports on the following subjects:
- Salaries (including expenses)
  - Revenues (Council Tax and Non Domestic Rates)
- 3.4 An Executive Summary of the final internal audit report 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, is shown in Appendix 1 to this report.

The definitions for Internal Audit assurance categories, as outlined in the approved Internal Audit Charter, are as follows:

Level of Assurance	Definition
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or misuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or misuse is unacceptable. Significant improvements are required.

- 3.5 We have identified certain areas of improvements relating to existing systems for Income Charging, Billing & Collection. Rather than make recommendations to alter soon-to-be redundant systems, we have agreed with the Chief Financial Officer that the Business World ERP system project scope and work takes account of and addresses these when designing processes, controls, guidance notes and corporate policies.
- 3.6 In respect of work we have completed relating to Asset Registers and the reconciliations between the source computer-based systems and the Financial Information System (FIS), Management assurances have been received that the full reconciliation of physical to recorded Assets will be addressed as part of the Business World ERP system project.

## Other Productive Work

- 3.6 Internal Audit staff have been involved in the following to meet its aims and objectives, and its roles and responsibilities in accordance with the approved Internal Audit Charter:
- 3.6.1 Reviewing outstanding and overdue audit recommendations to ensure Internal Audit are satisfied that progress has been made to implement the previous internal audit recommendations and management actions, that actions taken have had the desired effect in improving internal controls and governance, and are reflected in the corporate performance systems for reporting purposes. There are no specific matters that Internal Audit requires to bring to the attention of Management and the Audit and Risk Committee.
  - 3.6.2 Offering advice on improvements to fraud prevention controls and detection processes put in place by Management.
  - 3.6.3 Undertaking further work in connection with Scottish Borders Health and Social Care Integration Joint Board and SB Cares.

## Recommendations

- 3.7 Recommendations in reports are suggested changes to existing procedures or processes to improve the controls or to introduce controls where none exist. The grading of each recommendation reflects the risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact:

**Priority 1:** Significant weaknesses in existing controls, leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high to require immediate action within one month of formally raising the issue. Added to the relevant Risk Register and included in the relevant Assurance Statement.

**Priority 2:** Substantial weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action within three months of formally raising the issue.

**Priority 3:** Moderate weaknesses in existing controls, leaving the Council or Service open to low risk of error, fraud, financial loss or reputational damage requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management. The action plans in audit reports address only recommendations rated Priority 1, 2 or 3. Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.

- 3.8 The table below summarises the number of internal audit recommendations made during 2015/16:

	2015/16 Number of Recommendations
Priority 1	0
Priority 2	0
Priority 3	1
<b>Sub-total reported this period</b>	<b>1</b>
Previously reported	20
<b>Total</b>	<b>21</b>
Recommendations agreed with action plan	21
Not agreed; risk accepted	0
<b>Total</b>	<b>21</b>

#### **4. SCOTTISH LOCAL AUTHORITIES' CHIEF INTERNAL AUDITORS' GROUP (SLACIAG) ANNUAL REPORT 2015**

- 4.1 The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) is the professional networking group for Heads of Internal Audit from each Scottish Local Authority and Strathclyde Partnership for Transport. It is a Special Interest Group of CIPFA Scotland and therefore the Chair of SLACIAG is a member of the CIPFA Scotland Executive Committee.
- 4.2 The vision of the Group is to be the voice of Internal Audit across Scottish local authorities and a driving force for best practice in respect of Local Authority Internal Audit, governance, and operations. It achieves this by meeting to discuss issues of common concern, commissioning work to develop ideas, sharing good practice, and working in partnership with other professions/governing bodies.
- 4.3 Each year SLACIAG produces an Annual Report stating its Vision and Objectives, highlighting its Activity and Achievements, and outlining Future Developments. The 2015 report is attached at Appendix 2 for information.
- 4.4 There is active participation in this national forum by Council officers: the Chief Officer Audit & Risk has served a 2-year appointment as Chairman of SLACIAG to March 2016; the Internal Audit team members attended the SLACIAG Conference 2015; one of the Senior Internal Auditors is a member of the Computer Audit Sub-Group; and the Corporate Fraud & Compliance Officer has become a member of the Corporate Fraud Sub-Group (SLAIG) which became affiliated to SLACIAG during 2015. Scottish Borders Council will host the next SLACIAG meeting on 17 June 2016 at the Galashiels Transport Interchange.
- 4.5 In summary, SLACIAG acts as an effective forum for the dissemination of best practice within internal audit in local government. It is important that the Audit and Risk Committee acknowledges the benefits to Scottish Borders Council Internal Audit function arising from its participation in this national forum.

#### **5 IMPLICATIONS**

##### **5.1 Financial**

It is anticipated that cost efficiencies will arise as a direct result of Management implementing the recommendations made by Internal Audit.

##### **5.2 Risk and Mitigations**

- (a) The Objectives of Internal Audit are set out in its Charter. "As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives." Internal Audit provides assurance to Management and the Audit and Risk Committee on the effectiveness of internal controls and governance within the Council. Specifically as "a contribution to the Council's corporate management of risk" this includes responsibility in "Assisting management to improve the risk identification and management process in particular where there is exposure to significant financial, strategic, reputational and operational risk to the achievement of the Council's objectives."
- (b) Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and potential range and breadth of audit areas for inclusion within the plan. During the development of the Internal Audit Annual Plan 2015/16, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered.

- (c) If audit recommendations are not implemented, there is a greater risk of financial loss and/or reduced operational efficiency and effectiveness, and management may not be able to demonstrate improvement in internal control and governance arrangements.

**5.3 Equalities**

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

**5.4 Acting Sustainably**

There are no direct economic, social or environmental issues in this report.

**5.5 Carbon Management**

No direct carbon emissions impacts arise as a result of this report.

**5.6 Rural Proofing**

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

**5.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes are required as a result of this report.

**6 CONSULTATION**

- 6.1 The Service Directors relevant to each of the internal audit reports have signed off the executive summaries within Appendix 1.
- 6.2 The Corporate Management Team has been consulted on this report and any comments received have been taken into account.
- 6.3 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer HR, and the Clerk to the Council have been consulted on this report and any comments received have been incorporated into the report.

**Approved by**

**Jill Stacey, Chief Officer Audit and Risk Signature .....**

**Author(s)**

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036
James Collin	Internal Audit Manager Tel 01835 824000 Ext 5232

**Background Papers:** Appropriate Internal Audit files

**Previous Minute Reference:** Audit and Risk Committee 23 March 2015

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. James Collin can also give information on other language translations as well as providing additional copies.

Contact us at James Collin, Audit and Risk [jcollin@scotborders.gov.uk](mailto:jcollin@scotborders.gov.uk)

Report	Summary of key findings and recommendations	Recommendations			Status
		1	2	3	
<p>Audit Plan Category: Financial Governance</p> <p>Subject: Salaries (including expenses)</p> <p>No: 079/010-1</p> <p>Date issued: 28 April 2016</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the review was to ensure that controls are in place at Service level to ensure that salaries paid (including expenses) are accurate, correct and authorised appropriately. For this year’s review the focus was on authorised signatories and follow-up on progress with implementation of recommendations made in the 2014/15 internal audit report regarding Overtime.</p> <p>During this audit Management had initiated a project to replace the existing core financial and HR system by 2017.</p> <p>We have made the following observation: There is an opportunity to check that the line manager training covers the responsibilities, procedures and practices of end to end employment of their staff from pre-employment to exit.</p> <p>In addition we issued an interim audit report in October 2015 regarding authorised signatories. We note good progress has been made by Management to take forward improvements to the management and maintenance of the authorised signatories and delegation of authority process.</p> <p>Since our audit review in 2014/15, Management teams are more aware of the levels of overtime being worked and will continue to scrutinise this to ensure that as a result of staffing reductions and savings unforeseen increases in overtime do not occur. However, business requirements may dictate otherwise regarding emergencies such as inclement weather or client welfare.</p> <p>Internal Audit considers that the level of assurance we are able to give is substantial. Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement relating to Leavers.</p> <p>We made the following recommendation:</p> <ul style="list-style-type: none"> <li>Enhanced controls should be put in place to ensure the return of equipment and property when an employee leaves the Council’s employment. (P3)</li> </ul>	0	0	1	<p>Management have accepted the report findings and agreed to implement the recommendation within reasonable timescales.</p> <p>It is the responsibility of the line manager to recover all equipment from a member of staff exiting the organisation and use the Leaver forms supplied by HR on the Intranet. All service directors and managers have a shared responsibility in addressing the recommendation, facilitated by the HR service.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		1	2	3	
<p>Audit Plan Category: Financial Governance</p> <p>Subject: Revenues (Council Tax and Non Domestic Rates)</p> <p>No: 084/009</p> <p>Date issued: 21 April 2016</p> <p>Level of Assurance: Comprehensive</p>	<p>The purpose of the review was to assess the completeness and accuracy of Revenues (Council Tax (CT) and Non Domestic Rates (NDR)) income, including application of relevant reductions, discounts, reliefs and exemptions.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> <li>• Further improvements in the completion of history sheets for CT and NDR accounts;</li> <li>• Reviews of accounts are currently underway for CT to be followed by NDR account reviews; and</li> <li>• Payment reconciliations are carried out on a daily basis to ensure all CT and NDR income is received and credited promptly.</li> </ul> <p>Various payment methods such as online, direct debit, telephone, Post Office or PayPoint, by post and standing order are available to allow customers to pay CT and NDR accounts.</p> <p>Occupancy levels regarding Single Person Discounts are routinely checked against existing or new Housing Benefit claims, as appropriate, or when changes to circumstances are made.</p> <p>The review of CT and NDR policies, procedures and guidelines for Customer Services staff is work in progress, with improvements planned to link staff training records to the policy framework.</p> <p>The remainder of our work regarding the data collection and submission of Scottish Government Returns, the consistency in decision making for Blue Badge applications and appeals, and large payments to CT or NDR accounts will be completed during Quarter 1 of 2016/17. Findings will be reported at a later date.</p> <p>Internal Audit considers that the level of assurance we are able to give is comprehensive. Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives.</p> <p>We have made no recommendations.</p>	0	0	0	Management have accepted the report findings.

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## **ANNUAL REPORT FROM THE CHAIR – 2015**

### **1. INTRODUCTION**

- 1.1 Membership of the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) is made up of the Heads of Internal Audit from each Scottish Local Authority and Strathclyde Partnership for Transport. The Group is a Special Interest Group of CIPFA Scotland, with operational arrangements, vision, and objectives set out in a formal Constitution.
- 1.2 The Group's vision is to be the voice of Internal Audit across Scottish Local Authorities and a driving force for best practice in respect of local authority and public transport bodies internal audit, governance, and operations. In support of that vision the Group has the following objectives:
- To secure a quality and responsive service for members of the group ;
  - To develop the influence of the group with key decision makers and institutions in Scotland, as the key representative body for internal audit in local government with a particular emphasis on governance, risk, control and assurance matters;
  - To strengthen links and build long term relationships across the internal audit community within the public service;
  - To provide an effective group for the discussion of issues of common concern, sharing of good practice and commissioner of work to develop advanced practice
  - To consider the development and training needs of our people as a collective to ensure that the best available products are procured at the best price
  - To uphold the groups key values including: Respect; Openness and Honesty; Adding Value; Professional Team working; Sharing Best Practice; Integrity; Continuous Improvement.
- 1.3 One of the Group's previous objectives to seek statutory recognition for the role of Internal Audit in Scotland has been achieved through The Local Authority Accounts (Scotland) Regulations 2014 which came into force on 10 October 2014. The regulations require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector. The standards require internal audit to have suitable operational independence from the authority.
- 1.4 The purpose of this Annual Report to key stakeholders is to provide an update on the Group's activities and achievements over the course of 2015.

### **2. SLACIAG ACTIVITY AND ACHIEVEMENTS DURING 2015**

- 2.1 SLACIAG met four times during 2015:
- 20 March 2015 – hosted by East Ayrshire Council;
  - 8 and 9 June 2015 – SLACIAG Conference in Dundee;
  - 18 September 2015 – hosted by Renfrewshire Council; and
  - 27 November 2015 – hosted by Falkirk Council.
- 2.2 All of the meetings were very well attended, re-affirming the value of the Group to members through the variety of topics considered by the Group over the course of the year and the calibre of speakers who attended and presented. This is particularly pleasing at a time of such significant change across Local Government generally and for Internal Audit in particular. The membership of SLACIAG also continues to change, with new members joining and an ever increasing emphasis on the involvement of members of Internal Audit teams as well as Heads of Internal Audit.
- 2.3 As usual, the Group held its Annual General Meeting in March 2015. At that meeting the Treasurer, Kenneth Ribbons of West Lothian Council, provided an update on the Group's finances, which continue to show a healthy financial position. This allowed rates for attendance at the June 2015 Conference to be held at a level which offered very good value, enabled support for training provision, and allowed subscriptions to be held at the same rate.

- 2.4 As well as allowing the Group to conduct its AGM business, the March meeting provided the opportunity to continue some of the themes from the previous year including corporate fraud and health and social care integration. Owen Smith of Audit Scotland gave his perspective on the 2014/15 National Fraud Initiative exercise. Laura Friel, Corporate Director - Finance and Corporate Support of North Ayrshire Council, spoke very enthusiastically and positively about the integration work being undertaken, both at a local and a national level.
- 2.5 SLACIAG's biennial Conference on 8 and 9 June 2015 in Dundee, which had a theme of 'Transforming Internal Audit' was very positive and productive. Over the two days, around 60 day and residential delegates (including Heads of Internal Audit and members of their teams) heard from a range of engaging and entertaining speakers and participated in workshop sessions aimed at exploring various topics in more detail.
- 2.6 Tracy Forth, Intelligence Team Leader, National Anti-Fraud Network (NAFN) enlightened the delegates on the resources and services provided by NAFN which was followed by a workshop on how these could be utilised within our counter fraud practices to positive effect.
- 2.7 Andrea Calder, Corporate Improvement Manager, Dundee City Council, and Colin O'Kane, Senior Business Improvement Analyst, ACCA, provided their own perspectives, insights and experiences of Transformational Change in Scottish Local Government covering risks, challenges and opportunities, and the role of internal audit.
- 2.8 Brian Moore, Chief Officer Health & Social Care Partnership, Inverclyde Council, gave his Chief Officer perspective on Health and Social Care Integration and the role of Internal Audit. The success of the Conference was not only down to the quality of the speakers, but also the relevance of the topics to life as a Local Government Internal Auditor. This was used as a platform for future meetings.
- 2.9 The morning of Day 2 of the Conference focussed on our own teams and individuals to consider the challenges facing Internal Audit, the management of client expectations, and how Internal Audit can demonstrate added value. Tree of Knowledge came recommended by many of our employing organisations so we asked for their involvement. Gavin Oattes brought a fresh perspective to the conference, engaging and energising the delegates with his presentation style, whilst focusing our thoughts towards how we can effectively meet the challenges ahead.
- 2.10 Probably the most significant development during 2015 was the inaugural meeting in September 2015 of the Heads of Internal Audit from NHS Boards joining SLACIAG members to share our thoughts on the implications of Health and Social Care Integration for our organisations and our internal audit services. Paul Leak of the Scottish Government joined the Group and our colleagues to get to grips with the risks, challenges and opportunities associated with Health and Social Care Integration, and we used the opportunity to talk about the evolving regulations and guidance, as well as some of the issues to be considered by Internal Audit both pre and post implementation. It was agreed that there would be an annual joint LA/NHS Heads of Internal Audit meeting in September to discuss integration matters.
- 2.11 2015 was also a pivotal year in relation to the implementation across a number of Councils of the SLACIAG peer review approach to External Quality Assessment to meet the 2013 Public Sector Internal Audit Standards requirement that Internal Audit sections undergo periodic (at least 5 yearly) external assessment against the Standards. This was discussed at the November 2015 meeting. Over the course of 2016 and subsequent years this approach will continue to be rolled out to all remaining Councils willing to participate, and a timetable for this programme has been agreed.
- 2.12 Another significant development during 2015 was the Scottish Local Authority Investigators Group (SLAIG), which was formerly affiliated to IRRV, becoming the corporate fraud sub-group of SLACIAG. The synergies are apparent given the renewed corporate fraud focus in the public sector and the extent to which Internal Audit can input into prevention and detection of fraud within their organisations (particularly where there is shared responsibility across Internal Audit and Corporate Fraud teams). The mission statement of SLAIG, which consists of counter fraud practitioners from local authorities in Scotland, is to: Raise the profile of the counter fraud agenda; Share good practice; Raise awareness of the risk of fraud; and Ensure that fraud is investigated in a professional manner. SLAIG will provide a periodic update to the full meeting of SLACIAG on the work of their sub-group in accordance with SLACIAG's constitution.

- 2.13 The counter fraud theme continued at the November 2015 meeting when Fraser Paterson (National Counter Fraud Manager - Prevention) gave a very interesting presentation on the role of the NHS Counter Fraud Service, strategy including the 4D principles (deter, disable, detect, deal with), and the outcomes of some recent cases.
- 2.14 The Group continued to strive to source and provide value for money training and development for its members. The June 2015 Conference was an interactive event with participation in workshop sessions aimed at exploring various topics in more detail and it also provided an opportunity to identify specific training and development needs or themes. The Training Sub-Group arranged training events on Counter Bribery and Corruption and on Social Media provided by CIPFA in November 2015. Both events were very well attended, offered excellent value, and attracted positive feedback from delegates. Further opportunities for training and development will continue to be explored for members of SLACIAG and its computer audit and counter fraud Sub-Groups.

### **3. COMPUTER AUDIT SUB-GROUP**

- 3.1 The main aim of the Computer Audit Sub-Group (CASG), which is a permanent sub-group of SLACIAG, is to provide a forum to share and discuss computer audit practices and developments. This includes raising awareness of new standards, updates to legislation, new and current topics of interest, and computer audit developments, resources, and techniques. CASG meets three times per annum and the meetings, which are hosted by Councils, continue to cater for computer audit knowledge from novice through to professional level and were attended by auditors from Local Authorities as well as from Strathclyde Partnership for Transport and Scottish Water.
- 3.2 Meetings have included presentations and discussions on a range of topics with speakers from within and out-with the group. In the past year, presentation topics have included: Contract for outsourced IT services; Key Cyber Security Risks; Social Media; Audit of cloud computing; ICT resilience; Information Governance; Systems Security; The Digital Agenda; Public Sector Network compliance.

### **4. SUMMARY**

- 4.1 In summary, SLACIAG has had another very successful year, and I believe that, individually and collectively, the Group will continue to be at the forefront of developments, is well positioned to meet the considerable challenges of the future, and that our voice will continue to be heard as experts in matters of risk management, governance and control. Group members, in their Authorities, will continue to adapt as necessary to support their Board and Executive Management Teams to maintain delivery of well governed services in the context of reducing resources and significant transformation.
- 4.2 Specific challenges ahead for members and for the Group will include: implementing the full programme of peer review External Quality Assessments; the provision of a statutory internal audit service in conformance with the mandatory requirements of the PSIAS; and responding to strategic developments within the public sector, including Health and Social Care Integration. However, the groundwork has been laid through the development focus of our meetings and Conference which will place members in a strong position to meet those challenges going forward.
- 4.3 Finally, I would like to take this opportunity to thank the Committee and all Group members for their strong support and contributions during my two years as Chair, and wish the Group every success for the future.



**Jill Stacey (Chief Officer Audit and Risk, Scottish Borders Council)**  
**Chair of SLACIAG**  
**17 March 2016**

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## **Internal Audit Annual Report 2015/16**

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### **Report by Chief Officer Audit and Risk**

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### **Audit and Risk Committee**

**9 May 2016**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 The purpose of this report is to present to the Audit & Risk Committee the Internal Audit Annual Report for the year to 31 March 2016 which includes the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Council's overall control environment.**
- 1.2 In support of the overall governance arrangements of the Council, as set out in the Local Code of Corporate Governance, and the Public Sector Internal Audit Standards (PSIAS) which require that the Chief Officer Audit & Risk provides an annual internal audit opinion and report to the Chief Executive on the adequacy and effectiveness of the Council's internal control and governance arrangements to support the preparation of the Annual Governance Statement.
- 1.3 The Remit of the Audit and Risk Committee indicates that it should ensure an adequate framework of internal control, risk management and governance throughout the Council.
- 1.4 The Internal Audit Annual Report 2015/16, at Appendix 1, includes the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council, provides details of the Internal Audit activity and performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).
- 1.5 The Chief Officer Audit & Risk's opinion is that, based on internal audit reviews, risk assessments and knowledge, the systems of internal control and governance arrangements within the Council are operating satisfactorily. Some improvements are required.
- 1.6 The Internal Audit Annual Report 2015/16 has been used to inform the Chief Executive's Annual Governance Statement 2015/16.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Audit and Risk Committee:**
- a) Considers the Internal Audit Annual Report 2015/16 and provides any commentary thereon.**
  - b) Agrees that the Internal Audit Annual Report 2015/16 be published on the Council's website.**

### **3 BACKGROUND**

- 3.1 Internal Audit is an independent appraisal function established for the review of the internal control system as a service to Scottish Borders Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.
- 3.2 The internal audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance.
- 3.3 The Objectives of Internal Audit are set out in its Charter: "As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives and to do so:
- As a contribution to the Council's corporate management of risk.
  - As an aid to ensuring that the Council and its Members, managers and officers are operating within the law and relevant regulations.
  - In support of the Council's vision, values and priorities.
  - As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.

As a contribution towards ensuring that financial statements and other published information are accurate and reliable."

- 3.4 The Public Sector Internal Audit Standards (PSIAS) that became effective for local authorities on 1 April 2013 requires that:

"The chief audit executive [SBC's Chief Officer Audit & Risk] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

- 3.5 The Remit and Terms of Reference of the Audit & Risk Committee indicate that the Audit & Risk Committee should:

- Ensure adequate framework of internal control, risk management and governance throughout the Council
- Encourage propriety and probity throughout the Council
- Assist in accountability to stakeholders

### **4 INTERNAL AUDIT ANNUAL REPORT 2015/16**

- 4.1 The Internal Audit Annual Report 2015/16, at Appendix 1, includes the Chief Officer Audit & Risk's independent and objective opinion regarding the adequacy and effectiveness of internal control within the Council, provides details of the Internal Audit activity that supports the opinion and of the performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).

- 4.2 The Chief Officer Audit & Risk's opinion is that, based on internal audit reviews, risk assessments and knowledge, the systems of internal control and governance arrangements within the Council are operating satisfactorily.
- 4.3 Continuous improvements in internal controls and governance arrangements can be demonstrated through Management-initiated improvements complemented by the implementation of audit recommendations. Further improvements in internal control and governance have been agreed by Management as highlighted in internal audit reports and recommendations made during the year or outstanding from previous years.
- 4.4 The Internal Audit Annual Report 2015/16 provides assurances in relation to the Council's corporate governance framework that is a key component in underpinning delivery of the corporate priorities within the Council's Corporate Plan and has been used to inform the Chief Executive's Annual Governance Statement 2015/16.
- 4.6 A statement on conformance with the Public Sector Internal Audit Standards (PSIAS) and the results of the quality assurance and improvement programme is also included in the Internal Audit Annual Report 2015/16. Although areas for further improvement have been identified in the Quality Assurance and Improvement Plan the annual internal self-assessment demonstrates sufficient evidence that the Council's Internal Audit section complies with the PSIAS in all significant respects. This was confirmed by an External Quality Assessment during 2015.

## **5 IMPLICATIONS**

### **5.1 Financial**

- (a) It is anticipated that efficiencies will arise either as a direct or indirect result of Management implementing the recommendations made by Internal Audit during 2015/16 through improved internal controls and governance arrangements.
- (b) The net cost (projected outturn at February 2016) of the Internal Audit service was £250k (2014/15 £256k). The majority of service expenditure relate to staff costs (98%) for resources comprising Chief Officer Audit & Risk (50% allocation), Internal Audit Manager (75%), two Senior Internal Auditors, and two Internal Auditors.

### **5.2 Risk and Mitigations**

- (a) Internal Audit provides assurance to management and the Audit and Risk Committee on the adequacy and effectiveness of internal controls and governance within the Council, including risk management, and to highlight good practice and recommend improvements. Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and potential range and breadth of audit areas for inclusion within the plan.
- (b) Continuous improvements in internal controls and governance arrangements can be demonstrated through Management-initiated improvements complemented by the implementation of audit recommendations.
- (c) It is anticipated that improvements in the management and mitigation of risks will arise as a direct result of Management implementing the internal audit recommendations made during the year or outstanding from previous years which will enable Management to demonstrate further improvement in internal controls and governance arrangements.

- (d) Delivery of the Internal Audit services in conformance with the PSIAS will enable the Council to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014 to consider the findings of assessments as part of the consideration of the system of internal control required by regulation 5.

**5.3 Equalities**

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

**5.4 Acting Sustainably**

There are no direct economic, social or environmental issues with this report.

**5.5 Carbon Management**

There are no direct carbon emissions impacts as a result of this report.

**5.6 Rural Proofing**

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

**5.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

**6 CONSULTATION**

- 6.1 As the Chief Officer Audit & Risk is required to give an independent opinion on the internal control and governance arrangements of the Council, consultation on Appendix 1 is not appropriate.
- 6.2 The Corporate Management Team has been advised to take into account the Chief Officer Audit & Risk’s annual report on the work of internal audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance when completing the annual self-evaluation and assurance process for the annual governance statement.
- 6.3 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer HR, and the Clerk to the Council have been consulted on the covering report and any comments received have been incorporated into the report.

**Approved by**

**Jill Stacey, Chief Officer Audit & Risk**

**Signature .....**

**Author(s)**

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036

**Background Papers:** Appropriate Internal Audit files

**Previous Minute Reference:** Audit and Risk Committee 23 March 2015

**Note –** You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. James Collin can also give information on other language translations as well as providing additional copies.

Contact us at James Collin [jcollin@scotborders.gov.uk](mailto:jcollin@scotborders.gov.uk) or tel. 01835 825232



**Chief Officer Audit & Risk's Annual Report and Opinion 2015/16****1 Introduction**

- 1.1 Senior Management have a responsibility to set up suitable and sound systems of internal control and governance arrangements and to monitor the continuing effectiveness of these systems and arrangements to ensure robust and efficient governance of the Council. These are not fixed but evolve as the Council changes.
- 1.2 Internal Audit is an independent appraisal function established for the review of the internal control system as a service to Scottish Borders Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.
- 1.3 The internal audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance.
- 1.4 The Objectives of Internal Audit are set out in its Charter: "As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives and to do so:
- As a contribution to the Council's corporate management of risk.
  - As an aid to ensuring that the Council and its Members, managers and officers are operating within the law and relevant regulations.
  - In support of the Council's vision, values and priorities.
  - As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.
  - As a contribution towards ensuring that financial statements and other published information are accurate and reliable."
- 1.5 The Public Sector Internal Audit Standards (PSIAS) that became effective for local authorities on 1 April 2013 requires that:
- "The chief audit executive [SBC's Chief Officer Audit & Risk] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- The annual report must incorporate:
- the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."
- 1.6 This Annual Report provides the annual internal audit opinion and summarises the work carried out by Internal Audit during the year to 31 March 2016 that underpins the opinion in accordance with the Internal Audit Charter, strategy and annual plan. The report also summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).

## **2 Opinion on the systems of Internal Control and Governance**

- 2.1 My opinion is that, based on our reviews, risk assessments and knowledge, the systems of internal control and governance are operating satisfactorily.
- 2.2 Continuous improvements in internal controls and governance arrangements can be demonstrated through Management-initiated improvements complemented by the implementation of audit recommendations. Internal Audit reports during the year confirm improvements in internal controls and governance, internal financial control and risk management including the following:
- Significant progress has been made on corporate performance monitoring and reporting to Corporate Management Team, Elected Members and the Public as per the timetable set out in the Council's Performance Management Framework.
  - Effective management and administration of the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) within the governance of the Carbon Management Programme to meet obligations on energy efficiency.
  - The ICT Security Policy, which is designed to minimise the risks to the Council's electronic assets from attacks on confidentiality, integrity and availability, had been reviewed regularly by Management and updated to reflect changes to corporate structure, in the regulatory environment, and in the deployment of new technology.
  - Utilisation of national publications such as Accounts Commission "Options appraisal; are you getting it right?" and "ALEOs: are you getting it right?" when considering alternative service delivery models and learning lessons from their implementation.
  - Specific procedures and measures in place for EU LEADER and European Fisheries Fund grant funded projects to enable compliance with the terms of the Service Level Agreements including strengthening of file compliance and enhanced scrutiny of project application and assessment documentation.
  - Establishment of the Performance Management Framework for monitoring the financial and service performance of the Integrated Culture and Sports Trust (Live Borders) and for maintaining accountability for the public funding.
  - There is a thorough, consistent and transparent approach to the review and scrutiny of the Corporate Transformation Programme by senior managers and elected members by way of the Tracker, and highlight reports on individual projects.
  - Substantial progress on the implementation of Risk Management improvement actions which are designed to embed the management of risks within business planning and performance management processes.
  - Progress on the implementation of Corporate Fraud improvement actions enabling a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances and safeguarding assets.
  - Further improvements in the completion of history sheets associated with accounts for Council Tax and Non Domestic Rates.
- 2.3 The Council has undertaken two significant strategic developments involving different structures for delivering its services, requiring different governance arrangements. Firstly, from 1 April 2015 the LLP Strategic Governance Group, a Sub-Committee of Council, was set up to carry out the monitoring and control functions required by the Council in connection with SB Cares LLP, a wholly owned subsidiary for the delivery of the Council's adult care services. Secondly, from 1 April 2016 the Executive Committee will fulfil the performance monitoring role to ensure delivery of the agreed outcomes by the Integrated Culture and Sports Trust and a Member-Trustee Liaison Group has been created as a strategic forum.

- 2.4 Further significant work has been undertaken to develop the governance arrangements for the Scottish Borders Health and Social Care Partnership. The Chief Officer Audit & Risk has been fully involved as a member of the Integration & Governance working group. The Integration Joint Board's (IJB) Audit Committee was established and the Chief Officer Audit & Risk appointed as the IJB's Chief Internal Auditor in February 2016 with agreement that the Internal Audit services for the IJB will be provided by the Council's Internal Audit team for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources. The integration authority's Risk Management Strategy and Local Code of Corporate Governance were approved by the IJB in March 2016 arising from significant work involving the Chief Officer Audit & Risk. The Scottish Government and Scottish Parliament approved the Scheme of Integration, which enabled the formal establishment of the IJB in March 2016 along with the formal appointment of the Chief Officer Health and Social Care Integration and the interim Chief Financial Officer. Consultation on the draft Strategic Plan was completed in December 2015; and the Strategic Plan was approved by the IJB in March 2016 which became live on 1 April 2016.
- 2.5 The Chief Officer Audit & Risk facilitates the annual review of the Council's governance arrangements against its Local Code of Corporate Governance (Local Code) carried out by a self-evaluation working group of officers from across the Council's services. This is part of the process to produce the Annual Governance Statement. The Local Code has been updated as part of the annual review process and it is anticipated to be presented to full Council for approval in May 2016. This is to ensure this key document continues to be relevant and complete to reflect the appropriate framework for effective governance of the Council's affairs and facilitate the exercise of its functions to deliver best value.
- 2.6 The Chief Officer Audit & Risk fulfilled an advisory role in the formal recruitment and selection process associated with the appointment of three (previously two) external members to Audit and Risk Committee in October 2015, and has supported the development of the members of the Audit and Risk Committee during the year to enable effective scrutiny and challenge to fulfil its remit.
- 2.7 Reasonable assurance can be provided on the adequacy of the internal controls and governance arrangements in place. There is adequate awareness and observation of the Council's Local Code of Corporate Governance (approved February 2012; revised and awaiting approval) and key governance documents including Scheme of Administration (approved January 2015; amended November 2015), Procedural Standing Orders (approved December 2013), Scheme of Delegation (approved June 2014; amended August 2015), Financial Regulations (approved March 2012), and Codes of Conduct for Councillors and for Employees which can be demonstrated by way of the findings of Internal Audit reviews during 2015/16.
- 2.8 Further improvements in internal control and governance have been agreed by Management as highlighted in internal audit reports and recommendations made during the year or outstanding from previous years, some of which would enhance internal financial control through compliance with Financial Regulations. These include:
- Introduce Stock Control processes for Trade Waste Assets and Consumables in accordance with the Council's Financial Regulations and procedures.
  - Complete the data cleanse and update and introduce further improvements to the management and maintenance of the delegation of authority and authorised signatories process for approval and payment of supplier orders/invoices and payments to employees.
  - Delivery of policy awareness training relating to Income Management and External Charging and full development of performance management reporting which are designed to strengthen these processes further (previous audit recommendations).

- Update the Council's Financial Regulations to ensure they continue to reflect the appropriate framework for sound financial management, and be relevant and complete (External Audit recommendation). Fully develop written guidelines and procedures for financial processes linked to the Financial Regulations and make improvements to their availability (previous years audit recommendations).
- Implementation of Homelessness Management actions and audit recommendations on rent setting policy, information sharing and segregation of duties to address gaps and risks in the service's utilisation of the rent accounting system.
- Introduce a more rigorous approach to dissemination of ICT Disaster Recovery Plan outside the IT service to ensure a thorough understanding by all services' staff on the execution of the plan and to ensure its fit with services' business continuity plans.
- Implement further Information Management Improvement Plan actions including evidence of records weeding in compliance with retention policy, confirmation of appropriate physical records storage (previous audit recommendations), management and monitoring of data sharing agreements, and review of Information Policy and Strategy to enable Information Governance Group to fulfil its role.
- Introduce a consistent approach to the development of strategic asset management plans by officers and their subsequent review by elected members to inform the capital financial planning process (previous audit recommendation), and use the HM Treasury Green Book Checklist in selected projects within the Council (recommendation from the Audit and Risk Committee).

### **3 Internal Audit Plan Delivery in 2015/16**

3.1 The Internal Audit Annual Plan 2015/16 was delivered using the following approach:

- Staff resources comprised the Chief Officer Audit & Risk (50% allocation to Audit), Internal Audit Manager (75%), two Senior Internal Auditors, and two Internal Auditors who have a diverse range of experience, knowledge, skills and technical competencies needed to complete the programme of work and are aware of the professional and ethical standards required.
- The Internal Audit function operates in line with the professional standards as set out in the Public Sector Internal Audit Standards (PSIAS) effective from 1 April 2013. The PSIAS sit alongside the CIPFA Role of the Head of Internal Audit document. The Audit Manual outlines the policies, procedures, processes and systems in place to guide staff in performing their duties and conform to the PSIAS.
- There has been consultation and engagement with Senior Management in services to schedule, plan and scope audit work on a regular basis to co-ordinate with Management review, change and development work and external audit and inspection activity.
- Each Internal Auditor has been assigned audits to complete as part of their personal objectives and performance targets, and have learning and development plans to ensure they continue to have the skills, knowledge and professional competency to deliver the service in an ever-changing and complex environment. Interim reviews of progress and annual appraisals of performance against objectives, targets and plans have been completed.
- Resources were deployed in the delivery of the follow-up work to check that recommendations have been implemented and to ensure that the new controls had the desired effect on improving internal control and governance.
- Internal Audit responded to specific control issues highlighted by Managers during the year by incorporating those aspects within specific audit scopes or performing contingency audits approved by the Chief Officer Audit & Risk.

- The Internal Audit work on Risk Management and Counter Fraud was carried out with the Chief Officer Audit & Risk as the client and the Internal Audit Manager fulfilling the CAE role to ensure internal audit independence and objectivity is maintained.
- National reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies are considered and applied as part of the audit process to evidence improvements in the Council's practices on a continuous basis.
- Resources were deployed in the provision of those consultancy and support activities which support Management in delivering innovation and transformational change.

3.2 The following table shows the analysis of audit days and numbers by audit type:

	<b>Plan days 2015/16</b>	<b>Actual days 2015/16</b>	<b>Plan Nos. 2015/16</b>	<b>Actual Nos. 2015/16</b>
<b>Corporate Governance</b>	<b>205</b>	<b>190</b>	<b>7</b>	<b>6</b>
<b>Financial Governance</b>	<b>195</b>	<b>158</b>	<b>6</b>	<b>5</b>
<b>IT Governance</b>	<b>60</b>	<b>25</b>	<b>4</b>	<b>4</b>
<b>Internal Controls</b>	<b>55</b>	<b>60</b>	<b>3</b>	<b>3</b>
<b>Asset Management</b>	<b>55</b>	<b>47</b>	<b>2</b>	<b>2</b>
<b>Legislative and other Compliance</b>	<b>50</b>	<b>85</b>	<b>4</b>	<b>4</b>
<b>Consultancy and Advice</b>	<b>80</b>	<b>97</b>		
<b>Other</b>	<b>69</b>	<b>131</b>		
<b>Non-SBC</b>	<b>40</b>	<b>34</b>		
<b>Total</b>	<b>809</b>	<b>826</b>	<b>26</b>	<b>24</b>

3.3 The level of Actual hours was broadly on plan (102%). This performance can be attributed to the greater direct audit productivity from the Internal Audit team than anticipated in the audit plan. This has been achieved by individual internal auditors striving to meet their personal objectives and performance targets, and by deploying internal auditors to audit work which uses their specific qualifications, skills, knowledge and experience thus lessening the learning curve and familiarisation process.

3.4 The allocation of audit plan hours is not an exact science and some of the audit scopes have been carried out using less than planned hours and some using more.

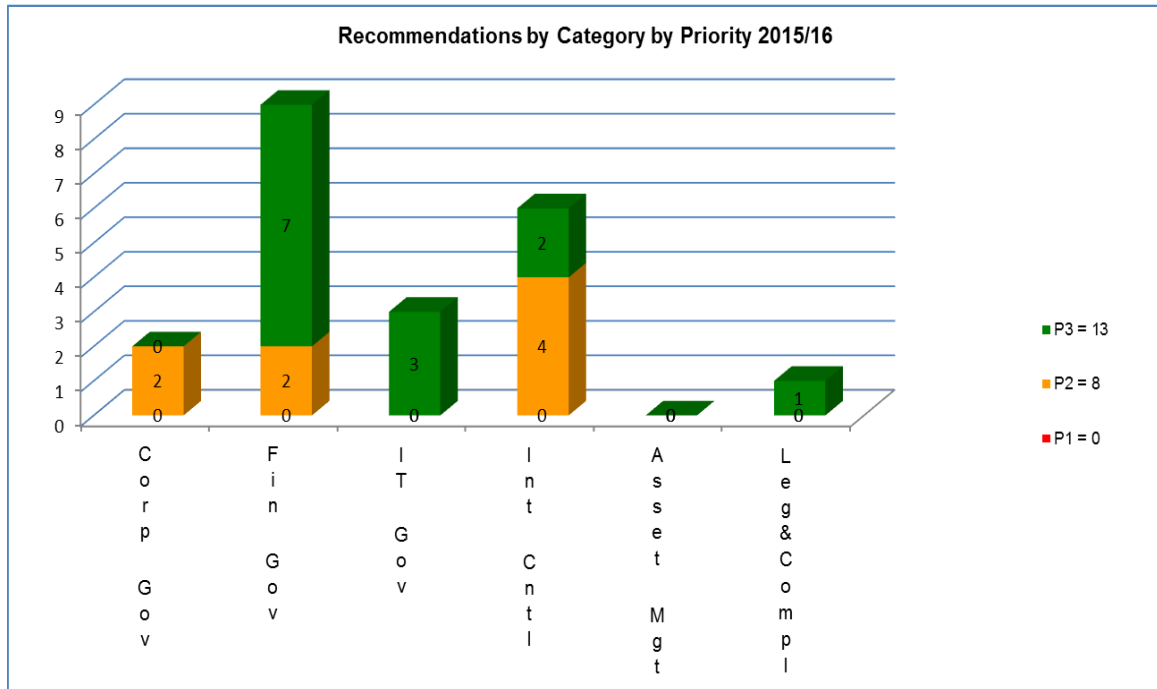
3.5 The full scopes of two of the planned audits have not been completed for the following reasons in agreement with the relevant Senior Management:

- The Workforce Planning audit has been rescheduled to 2016/17 to align with the phasing of the rollout of the Council's people planning process; and
- The Contract Management audit has been part completed due to delays in national guidance thus the remaining audit scope will be deferred until 2017/18.

This has not affected the assurance that internal audit is able to give.

## 4 Audit Recommendations

4.1 Where areas of improvement were identified these were highlighted to Management and actions were agreed for implementation within acceptable timescales to manage the risks to the Council. During the year 2015/16 Internal Audit have made 21 recommendations (there were 34 in 2014/15) categorised as Priority 1 - 0 (0 in 2014/15), Priority 2 - 8 (8 in 2014/15) and Priority 3 - 13 (26 in 2014/15). The following table summarises the 2015/16 Internal Audit Recommendations by Category by Priority:



4.2 Management has the responsibility for ensuring that agreed audit actions are implemented to address the identified weaknesses and mitigate risks. At final internal audit report stage the Audit Recommendations are input to Covalent, the Council's corporate performance management system. This is designed to assist with management tracking of implementation, to link with relevant risks and to evidence improvement in internal controls and governance.

4.3 Internal Audit continues to perform its standard quarterly follow-up activity and works with Management to address any actions that become overdue, and bring any matters to the attention of the Audit and Risk Committee. The follow-up activity takes into consideration their priority status, what target timescales are in place for full implementation, the explanation of the reason for any delay in implementation, and a review of their status to ensure the recommendations are still relevant or whether alternative solutions are required to manage the identified risks. The following table highlights the current position (as at 29 April 2016) with regards to internal audit recommendations arising from current and previous years:

Year identified	Total	Implemented	Not Yet Due	Overdue
2015/16	21	6	15	0
2014/15	34	16	18	0
2013/14	51	42	9	0

## **5 Internal Audit activity during 2015/16**

5.1 The wide range of internal audit work performed during the year is listed below:

### **Corporate Governance Audits**

5.2 To provide assurances in relation to the Council's corporate governance framework that is a key component in underpinning delivery of the corporate priorities within the Council's Corporate Plan, reviews during 2015/16 included:

- Corporate Governance (Assessment of progress on implementation of Improvement action plans and Annual Evaluation against Local Code of Corporate Governance).
- Risk Management (Assessment of progress on the implementation of Improvement actions including policy, strategy, training and toolkits).
- Information Governance (Review of the framework including roles and responsibilities, policy development and implementation).
- Performance Management (Validation of performance indicators and benchmarking information to support self-assessment and continuous improvement).
- Workforce Planning (Review of approach to workforce development to provide skills, knowledge and competency requirements for service delivery to meet objectives).
- Corporate Transformation (Review of governance and accountability arrangements including programme and project management, and of processes for benefit (financial and other) identification, tracking and realisation).
- Health and Social Care Integration (Review governance arrangements being developed to meet new statutory obligations which are designed to promote closer integration and partnership working to meet the needs of the community).
- Cultural Services Review (Review governance arrangements being developed as part of transformation proposals for transferring Cultural Services to an Integrated Trust).

### **Financial Governance Audits**

5.3 To provide assurance on the internal financial controls in place including fraud prevention and detection controls, reviews during 2015/16 of the Council's financial and management information systems and substantive testing of transactions to ensure completeness and accuracy of data in core financial systems included:

- Financial Policies and Procedures (Assess progress with review and update of Financial Regulations and associated procedures and guidelines including revenue and capital budgetary control codes of practice).
- Income Charging, Billing & Collection (Follow-up the implementation of Improvement actions including policy awareness and training, and debt reporting tools).
- VAT (Review of treatment of supplies and services made by the Council to customers)
- Revenues – Council Tax and Non Domestic Rates (Assess completeness and accuracy of income, including application of relevant reductions, discounts, reliefs, exemptions).
- Grants and Following The Public Pound (Review of authorisation and monitoring procedures including criteria to evaluate grant applications and monitoring compliance with conditions of grant; Assess process against FTTP code of practice).
- Contract Management (Follow-up on contract monitoring improvement actions).
- Creditors Payments (Review of payments processes at Service level including authorisation and non-Proactis source systems such as Servitor, Framework-I, etc.)
- Salaries including Expenses (Review of controls at Service level including authorisation).

### **IT Governance Audits**

- 5.4 To provide assurances that computer systems are secure, reliable and conform to nationally agreed standards, reviews during 2015/16 included:
- ICT Security Controls (Assess the adequacy of the physical access and environmental controls to the Council's ICT equipment, software and data to prevent unauthorised access and damage including third party access agreements).
  - Public Sector Network (PSN) Compliance (Examine the Council's compliance with PSN requirements and progress with implementation of actions to achieve full compliance).
  - ICT Disaster Recovery (Review of strategies and plans to ensure they are aligned with business continuity requirements, are fit for purpose and tested appropriately).
  - ICT Operational Processes (A review of the change / incident / problem management operational controls to ensure they are designed appropriately and that all parties are adhering to and complying with them).

### **Internal Controls Audits**

- 5.5 To provide assurances in relation to a range of the Council's internal controls in areas identified by Management, reviews during 2015/16 included:
- Homelessness Rent Accounting System (Assess the adequacy of processes and procedures, including collection and recovery of rents, training and guidance notes).
  - Primary Schools – Tweedbank PS, Denholm PS and St Ronans PS } Review of internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources.
  - Waste & Recycling Services – Trade Waste (Review of income collection, debt recovery and streamlining of processes and systems to ensure income maximisation).

### **Asset Management Audits**

- 5.6 To provide assurances that Council assets are safeguarded and properly accounted for, and used economically, efficiently and effectively, reviews during 2015/16 included:
- Asset Registers (Review of processes and controls management have implemented to ensure complete and accurate records of all Property, Fleet, and IT assets that underpin Asset Management Plans to deliver Council's strategies, plans and priorities).
  - Capital Projects (Review of management systems in place to ensure that capital projects are being managed efficiently and effectively from inception to completion including post project evaluation; Capital planning basis on priorities of the Council).

### **Legislative and Other Compliance Audits**

- 5.7 To test compliance with the terms of the funders' service level agreements or legislative requirements as part of the wider assurance framework, reviews during 2015/16 included:
- Kelso Town Heritage Initiative and Conservation Area Regeneration Scheme (Audit review as part of end of programme compliance and evaluation requirements of the two external funders (the Heritage Lottery Fund and Historic Scotland).
  - EU LEADER Grants (Annual review of LEADER programme required by the SLA between Scottish Ministers and SBC to assess SBC's compliance with the terms of the SLA).
  - European Fisheries Fund (Annual audit under the terms of the SLA and legislative compliance including an assessment of compliance with the requirements of the SLA and the relevant EC Regulations).
  - Carbon Management Programme (Annual audit as part of the requirement under the Carbon Reduction Commitment Energy Efficiency Scheme prior to the Council's annual submission to Department of Energy and Climate Change).



## **Advice and Consultancy Work**

- 5.8 Internal Auditors responded to a number of requests for ad hoc advice and assistance on internal controls, risk management and governance. The two significant pieces of consultancy work related to the development and implementation of approved governance arrangements associated with the programme for Health and Social Care Integration, and the 'critical friend' role during the due diligence and implementation phases of the Integrated Culture and Sports Trust.
- 5.9 The two Senior Internal Auditors each continue to provide project assurance relating to the Welfare Reform Programme and Information Management Project.

## **6 Public Sector Internal Audit Standards and Quality Assurance & Improvement Plan**

- 6.1 The professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective 1 April 2013 include:
- Definition of Internal Auditing;
  - Code of Ethics;
  - Attribute Standards (Purpose, Authority and Responsibility; Independence and Objectivity; Proficiency and Due Professional Care; Quality Assurance and Improvement Programme);
  - Performance Standards (Managing the Internal Audit Activity; Nature of Work; Engagement Planning; Performing the Engagement; Communicating Results; Monitoring Progress).
- 6.2 The Quality Assurance and Improvement Plan (QAIP) is designed to enable evaluation of Internal Audit's conformance with the Definition of Internal Auditing and the Standards, along with an evaluation of whether Internal Auditors apply the Code of Ethics, and an action plan to implement identified improvements.
- 6.3 An internal self-assessment of internal audit practices against the Standards was carried out in 2015/16, as required by the PSIAS, taking into account the improvement actions implemented since the previous year's self-assessment. The 2015/16 self-assessment has indicated a reasonable level of conformance with both the Attribute Standards and Performance Standards and improved evidence of applying the Code of Ethics.
- 6.4 The PSIAS requires the self-assessment to be subject to an External Quality Assessment (EQA) each five years, by appropriately qualified and independent reviewers. To this end the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) developed its "Peer Review" framework in which SBC took part. The EQA Peer Review site visit by Renfrewshire Council was held in October 2015. The Final Report concluded that the SBC Internal Audit Service generally conforms to the PSIAS, has identified areas of Good Practice, and has highlighted a few areas where improvements can be made. The Summary of Conformance with the PSIAS in the Final Report states either 'Fully Conforms' or 'Generally Conforms' against the 13 Assessment Areas. Areas of good practice include: substantial compliance with PSIAS and the International Professional Practices Framework (IPPF); clear, concise and easy to follow Internal Audit Charter; appropriate functional and administrative reporting lines for the CAE; appropriately qualified and experienced Internal Audit team.
- 6.5 Internal Audit received positive comments from clients relating to 2015/16 audits, advice and consultancy work which indicates positive feedback of the value and performance of Internal Audit. Opportunities for improvement are discussed with Management on a regular basis when reporting on progress with delivery of the internal audit programme of work or when consulting on audit plans being developed. The methodology for the EQA Peer Review included a canvass of the opinions of key stakeholders such as Chair of the Audit and Risk Committee and members of the Corporate Management Team.

6.6 The PSIAS includes the requirement to report the results of the Quality Assurance and Improvement Plan (QAIP) to senior management and elected members. The following table provides Corporate Management and the Audit and Risk Committee with a summary overview and current status of the improvement actions arising from the internal self-assessment 2014/15 against the PSIAS and External Quality Assessment during 2015/16:

<b>Standard</b>	<b>Improvement action</b>	<b>Target Date</b>	<b>Action Owner</b>
B1 Integrity B2 Objectivity B3 Confidentiality B4 Competence	Adherence to <i>Code of Ethics</i> included in "Performance Standards" on PRD forms	July 2015- <b>Complete</b>	Senior Internal Auditor
1100.14 Due consideration to potential impairments to independence and objectivity	Development of pre-Audit checklist	October 2015- <b>Complete</b>	Senior Internal Auditor
	Development of pre-Audit checklist	October 2015- <b>Complete</b>	Senior Internal Auditor
	EQA Action Plan 3.3 a-c a) Agree line reporting arrangements to carry out audits for Risk Management and Counter Fraud b) Rotate audit engagements by Internal Auditors c) Obtain stakeholder feedback for CAE performance appraisal	a – <b>Complete</b> b – April 2016 c – May 2016	Service Director Regulatory Services and Chief Officer Audit & Risk
1300.1 Performance monitoring	Develop Balanced Scorecard measures in line with SLACIAG guidance and input into Covalent	<b>Complete</b> except input to Covalent	Internal Audit Manager
1300 Quality Assurance and Improvement Programme	EQA Action Plan 3.4 Housekeeping actions including evidence of internal quality review process, state conformance with the PSIAS, and regular records retention	May 2016	Senior Internal Auditor
2000.6 Risk management	Continued improvement in identification and management of risk within the Council	March 2018	Chief Officer Audit & Risk
2000.12 Policies and Procedures	Review and revision of Audit Manual	June 2016	Internal Auditor
2100 Nature of Work	EQA Action Plan 3.1 Clarify adding value to the Council through work of Internal Audit taking account of role and resources available & 3.2 Develop a documented assurance framework	March 2016	Chief Officer Audit & Risk

**Jill Stacey BA(Hons) ACMA CGMA**  
**Chief Officer Audit & Risk**  
**29 April 2016**

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## **ANNUAL GOVERNANCE STATEMENT 2015/16**

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### **Report by Chief Executive**

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## **AUDIT AND RISK COMMITTEE**

**9 May 2016**

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### **1 PURPOSE AND SUMMARY**

- 1.1 This report proposes that the Audit and Risk Committee considers and approves the Annual Governance Statement that will be published in the Statement of Accounts 2015/16 of Scottish Borders Council.**
- 1.2 The CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 1.3 Part of the Audit and Risk Committee's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place. This includes to 'Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives'<sup>1</sup>.
- 1.4 The Annual Governance Statement 2015/16 at Appendix 1 details the Governance Framework, including the key elements of the Council's governance arrangements, the Review of Framework outlining the annual review process and overall opinion, and further Improvement Areas.
- 1.5 In terms of overall corporate governance it is the Chief Executive's opinion that, although there are a few areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the Council are considered sound. The Annual Governance Statement is informed by the self-assessment of compliance against the Local Code by the officer self-evaluation working group, the work of internal audit, external audit and inspection agencies, and by Depute Chief Executives and Service Directors assurance statements. This statement will be published in the Statement of Accounts 2015/16.

### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Audit and Risk Committee considers the details of the Annual Governance Statement at Appendix 1, and approves the actions identified by Management to improve internal controls and governance arrangements.**

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<sup>1</sup> CIPFA guidance note for local authorities 'Audit Committees' (2013)  
*Audit and Risk Committee 9 May 2016*

### 3 BACKGROUND

- 3.1 Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council approved a revised local code of corporate governance (Local Code) on 23 February 2012, consistent with the principles and requirements of the new CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' (Framework) to ensure proper arrangements are in place to continue to meet that responsibility.
- 3.2 The Framework urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement on an annual basis in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 3.3 Part of the Audit and Risk Committee's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place and this includes to 'Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives'<sup>2</sup>.

### 4 ANNUAL GOVERNANCE STATEMENT

- 4.1 In February and March 2016 the officer self-evaluation working group on corporate governance has undertaken an annual self-assessment of the effectiveness of internal control and governance arrangements and compliance against the Local Code for the year ended 31 March 2016. This group has responsibility for monitoring compliance with the Local Code and making recommendations to ensure continuous improvement of the systems in place. In addition the self-assessment group has concluded that revisions are required to the Local Code to ensure it reflects the changing context of Scottish Borders Council. This is subject to a separate report for approval by the Council. The Chief Officer Audit & Risk has led on this process as part of HIA<sup>3</sup> role to be champion for sound governance.
- 4.2 The Annual Governance Statement 2015/16 at Appendix 1 sets out the Governance Framework including the key elements of the Council's governance arrangements as set out in the Local Code which has been updated to reflect the strategic developments and changes to governance within the year including SB Cares and Health and Social Care integration programme. It also sets out the Review of Framework, outlining the annual review process and overall opinion, and Improvement Areas of Governance stating areas where further improvement in governance arrangements can be made to ensure full compliance with the Local Code.
- 4.3 In terms of overall corporate governance it is the Chief Executive's opinion that, although there are a few areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the Council are considered sound. The Annual Governance Statement is informed by the self-assessment of compliance against the Local Code by the officer self-evaluation working group, the work of internal audit, external audit and inspection agencies, and by Depute Chief Executives and Service Directors assurance statements. This statement will be published in the Scottish Borders Council Statement of Accounts 2015/16.

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<sup>2</sup> CIPFA guidance note for local authorities 'Audit Committees' (2013)

<sup>3</sup> CIPFA 'the role of the head of internal audit in public sector organisations' (2010)  
Page 42  
Audit and Risk Committee 9 May 2016

## 5 IMPLICATIONS

### 5.1 Financial

There are no direct financial implications arising from this report.

### 5.2 Risk and Mitigations

The Annual Governance Statement details areas where additional work would further enhance the internal control environment, risk management, and corporate governance arrangements. Implementing this work will ensure that internal controls, risk management, and other governance arrangements remain adequate.

### 5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

### 5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report.

### 5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

### 5.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

### 5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

## 6 CONSULTATION

6.1 The annual self-assessment completed in February and March 2016 by the officer self-evaluation working group on the effectiveness of internal control and governance and compliance against the Local Code of Corporate Governance, and associated assurance statements received from Depute Chief Executives and Service Directors within the Council have been taken into account when compiling the Annual Governance Statement.

6.2 The Corporate Management Team has been consulted and any comments received have been incorporated into the report.

6.3 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Human Resources, and the Clerk to the Council have been consulted and any comments received have been incorporated into the report.

### Approved by

**Chief Executive, Tracey Logan**

**Signature .....**

### Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036

**Background Papers:** CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'; Scottish Borders Council Local Code of Corporate Governance

**Previous Minute Reference:** Scottish Borders Council 23 February 2012; Audit and Risk Committee 11 May 2015

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. James Collin can also give information on other language translations as well as providing additional copies.

Contact us at James Collin [jcollin@scotborders.gov.uk](mailto:jcollin@scotborders.gov.uk) or tel. 01835 825232

## Annual Governance Statement 2015/16

### Introduction

Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Scottish Borders Council's affairs and facilitating the exercise of its functions. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively and ensuring that appropriate arrangements are in place for the management of risk.

To this end, the Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' and the supporting guidance notes for Scottish authorities. A copy of the Local Code of Corporate Governance is available on the Council's website at [www.scotborders.gov.uk](http://www.scotborders.gov.uk).

This Annual Governance Statement explains how the Council has complied with the terms of the Local Code for the year ended 31 March 2016. The statement also covers relevant governance issues as they affect those entities included as part of the Council's Group Accounts.

### The Governance Framework

The Council's Local Code of Corporate Governance provides the framework against which compliance is measured. This Local Code sets out the key principles, which require to be complied with, to demonstrate effective governance. The Local Code has been reviewed and revised to reflect significant changes in governance arising from alternative service delivery arrangements, new partnership arrangements and other new legislation, for Council approval in May 2016.

The key elements of the Council's governance arrangements as set out in the Local Code include:

- 1) The Council has a Single Outcome Agreement (SOA) in place agreed with the Scottish Government and Scottish Borders community planning partners. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the Council's Corporate Plan and the SOA which are approved by Council.
- 2) The Council has an approved Performance Management Framework in place to enable progress to be monitored against the Council's Corporate Plan and Priorities, SOA and associated Service Business Plans and Financial Plans, and to ensure it meets its legal duty to provide best value to people and reports publicly on its performance.
- 3) The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users. The Scottish Borders CPP Community Engagement Framework (2015) sets out principles for engagement and the Toolkit shares best practice methods.
- 4) The Council which has overall responsibility for directing and controlling the organisation has approved an Executive / Scrutiny model of decision making. The Executive Committee is the key decision-making and monitoring committee and the Scrutiny Committee for reviewing policy decisions.
- 5) The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of administration, scheme of delegation, and financial regulations which are regularly reviewed and revised where appropriate.
- 6) Codes of conduct are in place for, and define the standards of behaviour expected from, elected members and officers to make sure that public business is conducted with fairness and integrity. This includes a range of systems and procedures that are in place to ensure that elected members and employees are not influenced by prejudice or conflicts of interest in dealing with local citizens.

- 7) The Council seeks feedback from the public through its complaints and comments procedures for Corporate and Social Work (statutory) service areas, responds to the outcomes, as appropriate, and reports the results annually.
- 8) The Council is committed to the delivery of efficiencies through its transformation programme with the objective to deliver efficient and effective services to customers, whilst maintaining a robust control environment. On an annual basis it identifies efficiency savings to be made within the financial plans, and monitors their achievement on a regular basis.
- 9) The Council has undertaken two significant strategic developments involving different structures for delivering its services, requiring different governance arrangements. Firstly, from 1 April 2015 the LLP Strategic Governance Group, a Sub-Committee of Council, was set up to carry out the monitoring and control functions required by the Council in connection with SB Cares LLP, a wholly owned subsidiary for the delivery of the Council's adult care services. Secondly, from 1 April 2016 the Executive Committee will fulfil the performance monitoring role to ensure delivery of the agreed outcomes by the Integrated Culture and Sports Trust and a Member-Trustee Liaison Group has been created as a strategic forum.
- 10) The Council fosters relationships and partnerships with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Vision, Values and Standards within the Corporate Plan.
- 11) Significant work has been undertaken over the last 2 years to develop the governance arrangements associated with the Health and Social Care Integration programme ensuring delivery of structural reforms in local authority and NHS services in compliance with new legislation and regulations. The final Scheme of Integration has been approved by Scottish Ministers. The formal establishment of the Integration Joint Board was approved on 7 March 2016, as well as the approval of the Strategic Plan which became live on 1 April 2016, and the formal appointment of the Chief Officer and Chief Finance Officer. The Chief Officer Audit & Risk has been fully involved in developing the governance scheme for the Partnership as a member of the Integration & Governance working group.
- 12) The corporate management structure consists of the Chief Executive, two Deputy Chief Executives and ten Service Directors. The roles of officers are defined in agreed job descriptions. Staff performance is reviewed on an annual basis in accordance with the performance review and development (PRD) process.
- 13) The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.
- 14) The Chief Social Work Officer (CSWO) provides the Council with professional advice on the discharge of her statutory social work duties. She promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc. The CSWO presents an account of this work in an annual report to Council. The report also gives an overview of regulation and inspection, workforce issues and social policy themes over the year and highlights some of the forthcoming challenges.
- 15) The Chief Financial Officer (the Section 95 officer) is responsible for the proper administration of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control under the terms of the financial regulations.
- 16) The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. In particular, the system includes annually approved revenue and capital financial plans, medium term financial planning, setting and monitoring targets to measure financial performance, and regular reviews of periodic and annual financial reports which indicate financial performance against budgets.
- 17) The Service Director Regulatory Services (the Monitoring Officer) is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. In line with the Council's Monitoring Officer Protocol, an annual report is presented to the Standards Committee on councillors' compliance with the ethical standards framework.



- 18) The Chief Officer Audit & Risk (Head of Internal Audit) provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is based on the delivery of an approved plan of systematic and continuous internal audit review of the Council's arrangements carried out by an in-house internal audit team in conformance with the Public Sector Internal Audit Standards.
- 19) The Council responds to the findings and recommendations of internal audit, external audit, scrutiny and inspection bodies. The Audit and Risk Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.
- 20) The Council has reviewed and refreshed its risk management policy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.
- 21) The Council has reviewed and refreshed its proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.
- 22) The Elected Members Development Programme includes the comprehensive Induction programme which is periodically supplemented by additional training. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

### **Review of Framework**

The Council carries out an annual review of the effectiveness of its overall governance framework which is presented to the Audit and Risk Committee whose role includes high level oversight of the Council's governance, risk management, and internal control arrangements.

The review is informed by the work of an officer self-evaluation working group on corporate governance which undertakes an annual self-assessment against the Council's Local Code of Corporate Governance. This group has responsibility for monitoring compliance with the Local Code and making recommendations to ensure continuous improvement of the systems in place.

The review is also informed by assurances from: the Depute Chief Executives and Service Directors, who have responsibility for the development and maintenance of the governance environment within their departments and services and who in turn identify actions to improve governance at a departmental level; the Chief Officer Audit & Risk's annual report on the work of internal audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance; and comments made by external auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2015/16 the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective.

### **Improvement Areas of Governance**

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Local Code:

- (a) In light of the on-going significant challenges in addressing cost pressures and responding to the changes in government funding: (i) complete roll-out of people planning and succession planning across the Council as part of its people management arrangements(ii) ensure that financial, people and business plans are developed concurrently and continue to be aligned to the Council's corporate plan and priorities, and (iii) continue to ensure that options are fully appraised for alternative models and structures to enable delivery of efficient and effective services to customers in a sustainable way.
- (b) On-going monitoring and review of the Performance Management Framework to ensure it is embedded in service delivery, and informs improvement activity and decision making. This will include the full application of appropriate and proportionate self-assessment processes in all Council services as a self-evaluation tool to demonstrate achievement of Best Value, acting as a focus for evidencing value for money in service provision and linked to the business planning cycle.

- (c) The Council's decision to implement the new Business World ERP means that there will be a requirement to review and agree amended Financial Regulations, policies, procedures and guidelines of the key financial planning, management and administration processes linked to the Financial Regulations, and for the provision of financial training to managers and budget holders across the whole Council.
- (d) Consistent application across all the activity in the Corporate Transformation Programme of the demonstrated key success factors including the robust definition of Business Case and Benefits, Return on Investment, and Programme and Change Management to ensure there is confidence of the delivery of improvements and savings.
- (e) Ensure comprehensive information management across the Council and within each department in all relevant aspects of service delivery through appropriate awareness of and adherence to procedures, practices and guidelines to ensure full compliance with legislation and regulations.
- (f) Continue to improve the reporting arrangements to: (i) Evidence that learning from complaints is taking place and SPSO decisions are being reported to elected members; and (ii) Expand the volume of compliments and other comments, to gather a wide range of feedback from service users, and ensure these are reflected alongside the arrangements in place for dealing with complaints.
- (g) Development of standardised framework for reviewing strategic asset management plans to inform investment in assets and infrastructure to ensure they are fit for the future and enhancing on-going delivery of capital programmes and projects linked to the corporate transformation programme.
- (h) Establishment of better ways of linking recommendations made by Internal Audit, External Audit and other external scrutiny and inspection bodies to service action plans within each Service Directorate through a more user friendly method of viewing actions in Covalent linked to Performance measures and risk, as clear evidence of continuous improvement.

These actions to enhance the governance arrangements in 2016/17 are incorporated where appropriate within the Council's service directorate business plans and their implementation and operation will be driven and monitored by the Corporate Management Team in order to inform the next annual review.

### **Certification**

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council's systems of internal control and governance. Although areas for further improvement have been identified the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects.

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Tracey Logan  
Chief Executive  
mm 2016

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Councillor David Parker  
Leader of the Council  
mm 2016

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## **PENSION FUND ANNUAL GOVERNANCE STATEMENT 2015/16**

**Report by Chief Financial Officer**

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### **AUDIT AND RISK COMMITTEE**

**9 May 2016**

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#### **1 PURPOSE AND SUMMARY**

**1.1 This report proposes that the Audit and Risk Committee considers and approves the Pension Fund Annual Governance Statement that will be published in the Statement of Accounts 2015/16 of Scottish Borders Council Pension Fund.**

1.2 The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.

1.3 Part of the Audit and Risk Committee's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place for the Scottish Borders Council Pension Fund and this includes being satisfied that the Pension Fund Annual Governance Statement demonstrates compliance with its governance policy and best practice principles and identifies any actions required to improve governance arrangements.

1.4 The Pension Fund Annual Governance Statement 2015/16 details the Governance Framework including the key elements of the Pension Fund's governance arrangements and the Review Framework, as shown in Appendix 1.

1.5 In terms of overall corporate governance it is the Chief Financial Officer's opinion that the overall governance arrangements of the Pension Fund are considered sound. The Annual Governance Statement is informed by the self-assessment of the Fund's compliance with the best practice principles, the work of professional accountancy staff, and the work of internal audit, external audit and inspection agencies. Improvement actions are identified. This statement will be published in the Pension Fund Annual Report and Accounts for the year to 31 March 2016.

#### **2 RECOMMENDATIONS**

**2.1 It is recommended that the Audit & Risk Committee considers the details of the Pension Fund Annual Governance Statement at Appendix 1, and approves the actions identified by Management to further improve internal controls and governance arrangements.**

### **3 BACKGROUND**

- 3.1 The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.
- 3.2 Part of the Audit and Risk Committee's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place for the Scottish Borders Council Pension Fund and this includes being satisfied that the Pension Fund Annual Governance Statement demonstrates compliance with its governance policy and best practice principles and identifies any actions required to improve governance arrangements.

### **4 PENSION FUND ANNUAL GOVERNANCE STATEMENT**

- 4.1 The Pension Fund Annual Governance Statement 2015/16 details the Governance Framework including the key elements of the Pension Fund's governance arrangements, which is shown in Appendix 1. It also sets out the Review Framework, outlining the annual review process to assess the Fund's compliance with its Governance Policy and the best practice principles and overall opinion, and Improvement Areas of Governance.
- 4.2 It is the Chief Financial Officer's opinion that the overall governance arrangements of the Pension Fund are considered sound. The Annual Governance Statement is informed by the self-assessment of the Fund's compliance with the best practice principles, the work of professional accountancy staff, and the work of internal audit, external audit and inspection agencies. During the year the new governance arrangements in response to reforms have been implemented including committee structure, review of pensions' administration strategy, and training policy. The annual review demonstrates sufficient evidence that the Pension Fund's Governance Policy is operating effectively and that the Pension Fund fully complies with the best practice principles. Improvement actions have been identified that are designed to enhance the existing governance arrangements. This statement will be published in the Pension Fund Annual Report and Accounts for the year to 31 March 2016.

### **5 IMPLICATIONS**

#### **5.1 Financial**

There are no direct financial implications arising from this report.

#### **5.2 Risk and Mitigations**

The Pension Fund Annual Governance Statement details areas where additional work would further enhance the internal control environment, risk management, and corporate governance arrangements. Implementing this work will ensure that internal controls, risk management, and other governance arrangements remain sound.

#### **5.3 Equalities**

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

#### **5.4 Acting Sustainably**

There are no direct economic, social or environmental issues with this report.

## 5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

## 5.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

## 5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

## 6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council are being consulted on the report and any comments received will be reported at the meeting.

### Approved by

**David Robertson**  
Chief Financial Officer

Signature .....

### Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel: 01835 825036

**Background Papers:** Local Government Pension Scheme (Scotland) Regulations 2014

**Previous Minute Reference:**

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. James Collin can also give information on other language translations as well as providing additional copies.

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## GOVERNANCE

### Pension Fund Annual Governance Statement 2015/16

#### Introduction

The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.

The key document summarising the governance arrangements for the Pension Fund is the Governance Policy and Compliance Statement (as amended on 18 June 2015) which is available on the website [www.scotborders.gov.uk/pensions](http://www.scotborders.gov.uk/pensions).

#### The Governance Framework

The key elements of the Pension Fund's governance arrangements include:

- a) Scottish Borders Council is the Administering Authority for the Local Government Pension Scheme set up for the Scottish Borders geographic area.
- b) The Council has delegated its responsibilities as Scheme Manager to the Pension Fund Committee. The members of the Committee act as quasi-trustees and oversee the management of the Scottish Borders Council Pension Fund.
- c) The introduction of the Pensions Board, which meets jointly with the Committee, formalises the involvement of the employers and trade unions representing the membership. All members of the Committee and Board are covered equally by the Training Policy to give them full opportunity to contribute effectively.
- d) The approval the first Pension Fund Business Plan covering the period 2015/16 – 2017/18 to improve planning and monitoring of the performance of the Fund and to demonstrate the "Myners Principle" relating to effective decision making. The business plan supports the delivery of the objectives of the Fund which are to deliver a high quality pension service to members that was managed effectively, transparently and was compliant.
- e) The Pension Fund appoints professional advisers and external service providers.
- f) The system of internal financial control operates within a financial strategy and is based on a framework of delegation and accountability for officers and elected members embodied in procedural standing orders, financial regulations, scheme of delegation, scheme of administration, supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular, the system includes comprehensive accounting systems that record income and expenditure for both member and investment activities, regular reviews of investment reports that measure investment returns against agreed benchmarks, regular reviews of investment manager reports that measure performance against agreed targets, and independent performance reviews of the Fund by the Fund's investment consultant and performance monitoring services provider.
- g) The Pension Fund follows the Council's approach to risk management and assesses risk using a scoring methodology and subjects the risk register to regular review.
- h) The Chief Financial Officer (Section 95 officer) for the Council is responsible for ensuring the proper administration of the financial affairs of the Pension Fund. This includes ensuring appropriate advice is given to the Pension Fund on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control.

- i) The Chief Officer HR for the Council is responsible for the pension benefit policy oversight and day-to-day administration of member benefits in accordance with statutory legislation and the approved pensions' administration strategy.
- j) The Chief Officer Audit & Risk (Head of Internal Audit) provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review in conformance with the Public Sector Internal Audit Standards.
- k) The Pension Fund responds to findings and recommendations of external audit and internal audit, as appropriate. The Audit and Risk Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

## **Review of Framework**

The Council as Administering Authority of the Pension Fund conducts an annual review of the effectiveness of its overall governance framework which is presented to the Audit and Risk Committee whose role includes high level oversight of the Pension Fund's governance, risk management, and internal control arrangements.

The review is informed by the work of an officer assessment of the Fund's compliance with the best practice principles and the detail of this is set out in the Governance Compliance Statement 2015/16, Annex 1.

The review of the effectiveness of the system of internal financial control is informed by the work of professional accountancy staff within the Council, the assurances from the Chief Officer Audit & Risk's annual internal audit opinion and report on the work internal audit, and by the external auditors' reports.

The review cycle for the risk register is undertaken in line with agreed practice and the current status is summarised in the Risk Management Statement.

The conclusion from the review activity outlined above is that in 2015/16 the Pension Fund continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective.

## **Improvement Areas of Governance**

The review has identified some areas where further improvements can be made to enhance the existing governance arrangements:

- a) Development of a communications plan to improve awareness and understanding of stakeholders and encourage maximum membership of the Fund.
- b) Work to fully evaluate the implications of new national policy on freedom of choice of pension sums.

## **Certification**

It is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council Pension Fund's systems of internal control and governance. Although areas for further improvement have been identified the annual review demonstrates sufficient evidence that the Pension Fund's Governance Policy is operating effectively and that the Pension Fund fully complies with the best practice principles as demonstrated in the Governance Compliance Statement, Annex 1.

**Councillor Bill White**  
**Chairman**  
**Pension Fund Committee**  
**XX September 2016**

**Tracey Logan**  
**Chief Executive**  
**Scottish Borders Council**



## GOVERNANCE

### Pension Fund Governance Compliance Statement 2015/16

The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via number of best practice principles. The following table contains an assessment of the Fund's compliance with these principles and reflects the changes following the introduction of the Pension Board.

Principle		Full Compliance	Comments
<b>Structure</b>			
A	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Yes	<p>Scottish Borders Council acts as administering authority for the Pension Fund and delegates its responsibilities as Scheme Manager to the <b>Pension Fund Committee</b> (the Committee).</p> <p>The Committee comprises of 7 elected members.</p> <p>The Council's Scheme of Administration sets out the Committee's remit.</p>
B	Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Yes	<p>Introduction of the <b>Pensions Board</b> (the Board) has formalised the involvement of the employers and trade unions representing the membership.</p> <p>The Fund's Board has 8 members, 4 employer representatives and 4 trade union representatives.</p> <p>The Board constitution was developed in line with the regulations, a copy of which is included in the Fund's Governance Policy and Compliance Statement.</p> <p>The Board meet jointly with the Committee and the Board Constitution and the Scheme of Administration set out how disputes between the two bodies should be resolved.</p> <p>The <b>Investment and Performance Sub-Committee</b> (the Sub-Committee) was established under the Committee and its remit is set out in the Scheme of Administration. The Membership of the Sub-Committee is comprised of the 7 elected members from the Committee and 2 (non-voting) members from the Board.</p>

Principle		Full Compliance	Comments
C	Where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Yes	Minutes of the Sub-Committee and any other Sub-Groups are submitted to Committee for approval.  2 members from the Board and all members of the Committee are part of the Sub-Committee which has a remit to monitor investment performance.
D	Where a secondary committee or panel has been established, at least one seat of the main committee is allocated for a member from the secondary committee or panel.	Yes	The Scheme of Administration states that any Sub-Group established will have member(s) of the Committee as part of its membership.
Committee Membership and Representation			
A	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members), (iii) where appropriate, independent professional observers, and (iv) expert advisors (on an ad-hoc basis)	Yes	The Board and Committee will meet jointly ensuring employer and member (trade union) representation at meetings.  The Investment Sub-Committee has two non-voting members from the Board.  The Independent Investment Consultant and key Finance and HR Officers also attend in an advisory capacity.
B	Where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee and Board are covered equally by the Training Policy (as amended annually in June).  The Board was established by Council on 2 April 2015. Scheme of Administration for the Committee and Board Constitution provide for the joint meetings with equal rights to receive papers and access meetings in the same way.

Principle		Full Compliance	Comments
<b>Selection and role of lay members</b>			
A	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	For elected members this is part of Council's Code of Governance along with Member induction programme.  In addition the Fund's Training Policy provides for an annual training needs assessment, and an annual programme of training to be made available to all members of the Committee and Board.
B	At the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Yes	Part of Council's Code of Governance requires the declaration of members' interests as a standard agenda item on all committees.
<b>Voting</b>			
A	The policy of individual administering authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	This is set out in the Council's Scheme of Administration and the Board's Constitution.
<b>Training/Facility time/Expenses</b>			
A	In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes	The Members Expenses are managed under the Council's policies. The Training Policy also covers the reimbursement of Training Related Expenses.
B	Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	Training policy for all members of Pension Fund Board and Committee approved by Board and Committee annually in June.

Principle		Full Compliance	Comments
C	The Administering Authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	Annual Training Plan produced and logs of training are being maintained.
<b>Meetings (frequency/quorum)</b>			
A	An administering authority's main committee or committees meet at least quarterly	Yes	The joint meetings of the Committee and Board are quarterly.
B	An administering authority's secondary committee or panel meet at least twice a year and is synchronised with dates when the main committee sits	Yes	Investment Sub-Committee meets every six months in between main joint Committee/Board meetings.
C	An administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	Pension Board formally provides for the stakeholders engagement.
<b>Access</b>			
A	Subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Yes	Papers sent to all Committee/Board members detailed in Scheme of Administration.

Principle		Full Compliance	Comments
<b>Scope</b>			
A	Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes	The Scheme of Administration sets out that the Committee as having a remit which covers all matters relating the Council's role as the Administering Authority for the Scottish Borders Council Pension Fund, within the terms of all relevant Local Government Pension Scheme legislation and the requirements of the Pension Regulator.
<b>Publicity</b>			
A	Administering authorities have published details of their governance arrangements in such a way that stakeholders, with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes	Minutes and Public papers available via Council website, as are various governance and scheme policy documents.

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