

SCOTTISH BORDERS COUNCIL AUDIT AND RISK COMMITTEE

MINUTES of Meeting of the AUDIT AND RISK held in Council Chamber, Council Headquarters, Newtown St Boswells on Monday, 14 November 2016 at 10.15 am

Present:- Councillors M. Ballantyne (Chair), B White (Vice-Chairman), J. Campbell, I. Gillespie and S. Scott and Mr M. Middlemiss.
Apologies:- Councillor A. J. Nicol.
In Attendance:- Chief Financial Officer, Chief Officer Audit and Risk, Chief Officer HR (for Item 5), Depute Chief Executive Place, Chief Officer Roads, and Asset Manager (for Item 6), Chief Officer Children and Young People Support (for Item 7), Democratic Services Officer (P Bolson); Mr A Haseeb – Audit Scotland and Mr G Samson – Audit Scotland.

1. WELCOME

The Chairman welcomed those present to the meeting and introduced Mr Asif Haseeb from Audit Scotland who would represent the Council's external auditors on the Audit and Risk Committee along with his colleague, Mr Graeme Samson, in the absence of Mrs Gillian Woolman. The Chief Officer Audit and Risk informed the Committee that Mr Howard Walpole had resigned from the Committee due to unforeseen circumstances. On behalf of the Audit and Risk Committee, the Chairman thanked Mr Walpole for his attendance at the previous meetings.

**DECISION
NOTED.**

2. ORDER OF BUSINESS

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

**DECISION
NOTED.**

3. MINUTE

3.1 There had been circulated copies of the Minute of 26 September 2016.

**DECISION
APPROVED for signature by the Chairman.**

3.2 It was noted that all relevant reports had been presented to Council as detailed in the Minute of 26 September 2016.

**DECISION
NOTED.**

4. EXTERNAL AUDIT - INTRODUCTION TO AUDIT SCOTLAND

The Chairman introduced Mr Haseeb, Senior Audit Manager with Audit Scotland, Scottish Borders Council's newly-appointed external auditors. Mr Haseeb gave a brief description of Audit Scotland's role in delivering public audit in Scotland and explained how that role related to the Auditor General and the Accounts Commission. Audit Scotland provided independent assurance that public money was being spent properly whilst at the same time providing best value. This included carrying out relevant and timely audits of the way the public sector managed and spent money; by reporting the findings and conclusions of these audits in the public domain; and by identifying risks and making recommendations

on mitigating these risks. Overall, Audit Scotland audited 227 public bodies whilst observing the principles of public audit. Mr Haseeb advised that, in addition to the Annual Audit Reports, Audit Scotland expected to present a separate Best Value Assurance Report at least once during their 5 year appointment. The representatives from Audit Scotland had met with KPMG (the Council's previous external auditors), the Chief Officer Audit and Risk, and representatives from the Council's Corporate Management Team and this had resulted in a useful sharing of information prior to the changeover of external auditors.

DECISION

NOTED the report.

5. RISK MANAGEMENT IN SERVICES

- 5.1 Ms C Hepburn, Chief Officer HR, was in attendance to give a presentation on the strategic risks facing Human Resources, the internal controls and governance in place to manage and mitigate those risks and the way in which risk management was embedded within the service. Ms Hepburn explained that there were three sections within HR, namely the Shared Services team; the Advisory team; and the Organisational Development (OD) team with each team leader being responsible for the risks within their individual teams. The Service Risk Register had been developed through Financial, People and Business Planning processes and was owned by the team managers with regular reviews undertaken by the HR Management Team. HR Management Team would escalate risks to Corporate Management Team (CMT) as necessary.
- 5.2 Ms Hepburn explained that HR had a dual role in Risk Management, namely to ensure that systems and practices were operating effectively to manage the corporate risks associated with staff, and to manage the risks within the HR team itself. There were currently a number of pressures being experienced, ranging from Financial Pressures; Changing Service Delivery Models within Directorates; the Implementation of the Business World Enterprise Resource Planning (ERP) system; Legislation and Government policies, such as the Apprenticeship Levy and the Integration of Health and Social Care; and Maintaining a positive Employee Relations Climate whereby monthly meetings were held with the Trades Unions in order to produce regular updates. Managing Risk within the HR service included: Effective Project, Programme and Change Management; Delivery of Risk Workshops and appropriate Training for Staff; Regular Monitoring of the Corporate and Operational risks; and clear Key Performance Measures which were monitored on a regular basis. Ms Hepburn went on to explain that, in order to deliver the corporate objectives, it was necessary for a number of systems and practices to be in place. By way of illustration for Corporate Risk Register number 13 to ensure the Council had suitably qualified, experienced and motivated staff, Ms Hepburn outlined the risk mitigation actions: People Planning had already been rolled out across most services; the Council's redeployment scheme had been established for some time with opportunities for staff to move to a different role within the Council or to retrain in order to be redeployed; effective training linked to competencies was being introduced; a staff appraisal system was in place which enabled both employee and line manager to review performance and development over an agreed time period; and flexible working practices had been successfully introduced a number of years ago. Since its introduction, there had been a positive uptake for the Council's employee benefits scheme, particularly to purchase IT under the salary sacrifice option, and Ms Hepburn advised that the aim going forward was for more local offers to be added to the scheme.
- 5.3 By way of illustration in terms of the HR Risk Register number 6, Ms Hepburn explained that it was essential that managers understood HR practices, policies and procedures and that these were embedded in the culture to ensure that there would be no successful claims against the Council. A range of measures were in place, including the Development of Business World ERP; Training for line managers and eLearning for all employees; and the Staff Appraisal system. HR worked in partnership with managers across Council services and there were ACAS accredited mediators to assist

management and staff as required. Following discussion, Members suggested that more detailed statistical data would be helpful and it was agreed that this would be included in future presentations as appropriate. The Chair thanked Ms Hepburn for her attendance.

DECISION

NOTED the presentation.

6. SCOTTISH BORDERS COUNCIL ROADS EXPENDITURE

6.1 There had been circulated copies of a report by the Accounts Commission on Maintaining Scotland's Roads and copies of a report by the Depute Chief Executive Place on Scottish Borders Council Roads Expenditure were circulated at the meeting. Mr Barr explained that the SBC report provided a review of the historic expenditure that the Council had made on its Roads and Bridges Infrastructure, the factors linked with this expenditure that could influence the overall measurable road condition and a review of the key findings of the Accounts Commission report entitled "Maintaining Scotland's Roads" which was published in August 2016. Table 3.1/1 in the SBC report detailed the Revenue and Capital spend that the Council invested in its roads, bridges and street lighting infrastructure between 2011/12 to 2015/16 and showed that in the region of £10m per annum had been invested in general maintenance and improvement. The increases in investment during 2015/16 were as a direct result of the emergency repairs required following the severe floods during December 2015 and January 2016 and were subject to recovery under the Bellwin Scheme from the Scottish Government. The report summarised the types of planned and preventative maintenance undertaken within the Scottish Borders, including the Street Lighting Energy Efficiency Programme (SLEEP), Selkirk Flood Relief Scheme and Galashiels Inner Relief Road, noting an average spend of £7m per annum over the past 5 years. Severe winter weather conditions required reactive repairs such as making good potholes and patching and drainage work, regularly accounting for expenditure of around £2m per year. Mr Barr explained that expenditure on projects such as SLEEP and emergency repairs, whilst an important investment, did little or nothing to positively influence measurable overall road condition, and achieving measurable road improvements depended more on how the money was used rather than the gross amount spent. It was also emphasised that much of the 3,000 kilometres of roads in the Scottish Borders was B, C and unclassified roads and this was an added pressure in maintaining and improving the overall road condition rating.

6.2 With reference to the Accounts Commission report, Mr Barr provided some background in respect of how the data used in that report was collected. He responded to a number of comments made in the Accounts Commission report and these observations were detailed in paragraph 4.2 of the SBC report. Members raised a number of questions and officers provided clarification in terms of: materials used to repair and maintain roads and carry out surfacing; HGV usage of class B, C and unclassified roads; and positive ditching and the responsibilities of private landlords. Exhibit 10 of the Accounts Commission report identified that Scottish Borders Council had agreed to invest an additional £67.3m in roads maintenance over 20 years from 2015 in order to slow down the rate of decline of road condition and achieve a target of 55% of roads in an acceptable condition (currently 54.5%).

DECISION

NOTED:-

(a) **The extent and nature of the historic expenditure made by Scottish Borders Council in its roads and bridges infrastructure; and**

(b) **The observations made with respect to the Accounts Commission report "Maintaining Scotland's Roads".**

6.3 With reference to the Progress with Implementation of Internal Audit Recommendations (Item 9), officers were asked to report on progress in relation to Roads Management

actions currently outstanding. In response, Members were advised that the Roads Review was currently in progress and that, once concluded, the Roads Asset Management Plan would be taken forward and developed as recommended in the Internal Audit report. New Service Standards and Performance Targets and Measures had been developed as part of the Roads Review to progress the actions to develop a Road Maintenance Manual and to receive Performance Information relating to road safety inspections and repairs. Future reports on Internal Audit recommendations would include further progress made by Roads Management.

**DECISION
NOTED.**

ADJOURNMENT

The meeting was adjourned at 11.40am and reconvened at 11.50am.

7. SOCIAL WORK IN SCOTLAND

7.1 There had been circulated copies of a report by the Accounts Commission on the delivery of Social Work services in Scotland. The Chief Officer Children and Young People Support was in attendance to present the report to Committee. The summary included in the report advised that current approaches to delivering social work services was not sustainable in the longer term and there were risks, should costs be reduced further, which could affect the quality of service provision. The report included key recommendations for Local Authorities and Integration Joint Boards.

7.2 Members discussed aspects of the report such as the stability of the local authority workforce within Social Work and Mrs Blackie advised that this was very positive in the Scottish Borders. She went on to explain that qualifications offered by local Colleges did not necessarily match current employment opportunities and further work was needed to make progress in this area. Discussion followed on how an early intervention approach could be developed further through multi-agency partnerships and on how Resilient Communities/community-led social work services could contribute to this. With regard to recovery and aftercare for adults, health and social work staff worked closely with families and local support networks to enable people to return home as soon as possible after treatment. By way of clarification, Mrs Blackie confirmed that in certain circumstances, looked-after children included young people up to 26 years of age, with 40 looked-after children currently under SBC's care. Members acknowledged that there was clearly a need to find alternative ways of maintaining this responsibility within the current financial constraints. Following discussion, Members agreed to recommend to Council that the self-assessment checklist as detailed in Supplement 4 of the Accounts Commission 'Social Work in Scotland' report be issued to all Elected Members to raise their understanding of social work in the Council. Members further discussed the merits of developing similar checklists covering a range of responsibilities, for example their corporate parenting role, and how these could be used to assist them in their roles. The Chair thanked Mrs Blackie for her attendance.

DECISION

(a) **NOTED the Accounts Commission report.**

* (b) **AGREED TO RECOMMEND that the self-assessment checklist as detailed in Supplement 4 of the Accounts Commission 'Social Work in Scotland' report be issued to all Elected Members to raise their understanding of social work in the Council.**

8. MID-TERM TREASURY MANAGEMENT REPORT 2016/17

- 8.1 There had been circulated copies of a report by the Chief Financial Officer providing the mid-year report of treasury management activities for 2016/17, in line with the requirements of the CIPFA Code of Practice, including Prudential and Treasury Management Indicators. Following consideration by the Audit and Risk Committee, the report would then be presented to Council for approval. Appendix 1 to the report contained an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators and proposed revised estimates of these indicators in light of the 2015/16 outturn and experience in 2016/17 to date for discussion by the Committee prior to presentation to Council for approval. It was also noted that any changes to the report following presentation to the Executive Committee on 15 November 2016 would be reflected in the final version to be considered by Council on 15 December 2016.
- 8.2 The Chief Financial Officer advised that all of the 2016/17 target indicators reported on were based on those agreed as part of the strategy approved by Council in February 2016. The mid-year report for 2016/17 was detailed in Appendix 1 and covered: the economic update for the first six months of the current year; reviews of the Treasury Management Strategy Statement and Annual Investment Strategy; Council's capital expenditure (prudential indicators); Council's investment portfolio for 2016/17; Council's borrowing strategy for the current year; and compliance with Treasury and Prudential Limits for 2016/17. Members' requests for clarification on interest rates and deferred borrowing were met and the Chief Financial Officer advised that deferred borrowing had not impacted on the Pension Fund returns. With regard to housing development, it was noted that the current market had not allowed Bridge Homes to build its target number of new houses and it was likely that the actual number built would be in the region of 100 homes by 2019.

DECISION

(a) **NOTED that treasury management activity in the six months to 30 September 2016 had been carried out in compliance with the approved Treasury Management Strategy and Policy; and**

* (b) **AGREED TO RECOMMEND that the Treasury Management Mid-Year report 2016/17, as contained in Appendix 1 to the report and as amended by Executive Committee on 15 November 2016, be presented to Council for approval of the revised indicators.**

9. **PROGRESS WITH IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**
There had been circulated copies of a report by the Chief Officer Audit and Risk providing an update on the implementation by Management of audit recommendations as agreed in Internal Audit reports since December 2013. Information relating to Internal Audit recommendations which had not yet been fully implemented was detailed in the Appendix to the report and Members noted that the completion dates for a number of these had been extended. Discussion followed and Ms Stacey advised that recommendations were now assigned more realistic timescales for completion. Work was still required by services to ensure that internal monitoring was carried out and risks were managed appropriately. Members were advised that there had been one outstanding recommendation in respect of SB Contract's ordering process and that completion was anticipated by 15 November 2016. Further updates would be presented to Members in future reports. In response to a question on "risk acceptance", Ms Stacey advised that this was discussed with management at the end of each audit and their views would be reflected in the final recommendations. A general discussion followed on how Covalent was used across Council services and it was acknowledged that it was not yet totally embedded with managers. It was agreed that managers would be called back to the Audit and Risk Committee after 6 months to explain any outstanding recommendations and that a final report would be prepared for consideration by the incoming Committee following the Local Government elections in May 2017.

DECISION

- (a) **ACKNOWLEDGED** the progress made by Management in implementing audit recommendations.
 - (b) **AGREED** that:-
 - (i) **managers be called back to the Audit and Risk Committee after 6 months to explain any outstanding recommendations; and**
 - (ii) **a final report be prepared for consideration by the incoming Committee following the Local Government elections in May 2017.**
10. **INTERNAL AUDIT MID TERM PERFORMANCE MONITORING REPORT 2016/17.**
With reference to paragraph 6 of the Minute of 29 March 2016, there had been circulated copies of a report by the Chief Officer Audit and Risk which provided details of the progress made towards completing the Internal Audit Annual Plan 2016/17 during the period to 30 September 2016. The report also summarised the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS). Internal Audit provides assurance to Management and the Audit and Risk Committee on the effectiveness of internal controls and governance within the Council. Details of the half-yearly progress with the delivery of the programme of work were set out in the Appendix to the report and it was expected that the Internal Audit Annual Plan 2016/17 would be delivered on target. The report noted that during the period to 30 September 2016, there had been 413 actual days of Internal Audit work carried out as opposed to the 378 planned days originally scheduled. The report advised that there had been some rescheduling of audits based on service requirements and planning, and detailed the changes within the section's staffing resource, noting that the Internal Audit Annual Plan 2016/17 could still be delivered in full by 31 March 2017, based on expected staffing levels for the remainder of the financial year. The report also provided an update on progress that had been made towards the improvement actions identified within the Quality Assurance and Improvement Plan (QAIP) to ensure continued conformance with the PSIAS.

DECISION

- (a) **APPROVED** the progress made by Internal Audit in completing the Internal Audit Annual Plan 2016/17.
 - (b) **ACKNOWLEDGED** that it was satisfied with the performance of the Internal Audit service.
11. **NEXT MEETING**
The next meeting of the Audit and Risk Committee was scheduled to take place on 16 January 2017.

**DECISION
NOTED.**

The meeting concluded at 1.15 pm